Nation's Business

A USEFUL LOOK AHEAD NOVEMBER 1960

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City Manager
Cincinnati, O.

O. L. HUBBARD
Mayor
Dearborn, Mich.

R. J. LINDLEY
City Clerk
Rockford, Ill.

J. W. MORGAN
Mayor
Birmingham, Ala.

these men...
and their
communities
agree:

OUTDOOR TELEPHONES PROVIDE GREATER PUBLIC SERVICE

CINCINNATI, OHIO

"Public acceptance and use of this service is amply evidenced by the commissions received by the City of Cincinnati since 1958."

DEARBORN, MICHIGAN

"Outdoor telephones in strategic locations have helped us maintain a high standard in communications."

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"I've heard some very good comments on the public telephones. The revenue the city receives reflects their use."

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"They provide our city with emergency telephones on a 24-hour basis."

More and more cities are installing outdoor telephone booths on public property. In every case, outdoor telephones bring new revenue to the municipal treasury and new security and convenience to the community.

Your local Bell Telephone Company will be glad to design a Public Telephone Plan especially for your city. Just call the manager at your telephone business office.

BELL TELEPHONE SYSTEM

Nation's Business

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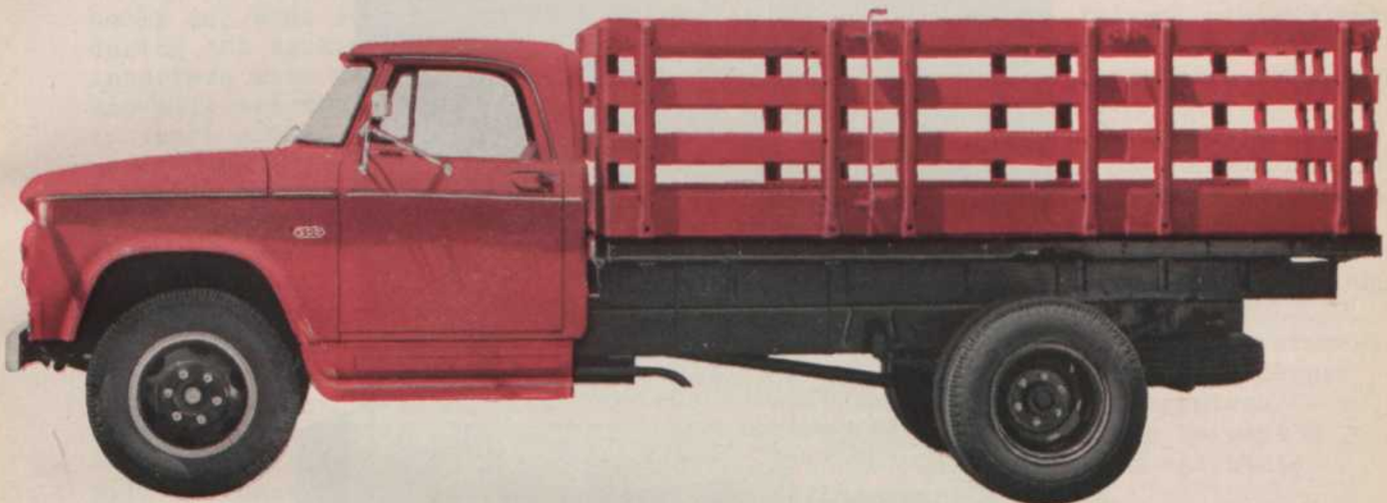
All-new 1961 Dart ½-ton pickup, the first and only truck with compact-economy. Available with 6½′ and 8′ Sweptline pickup bodies. GVW to 5,100 lbs.

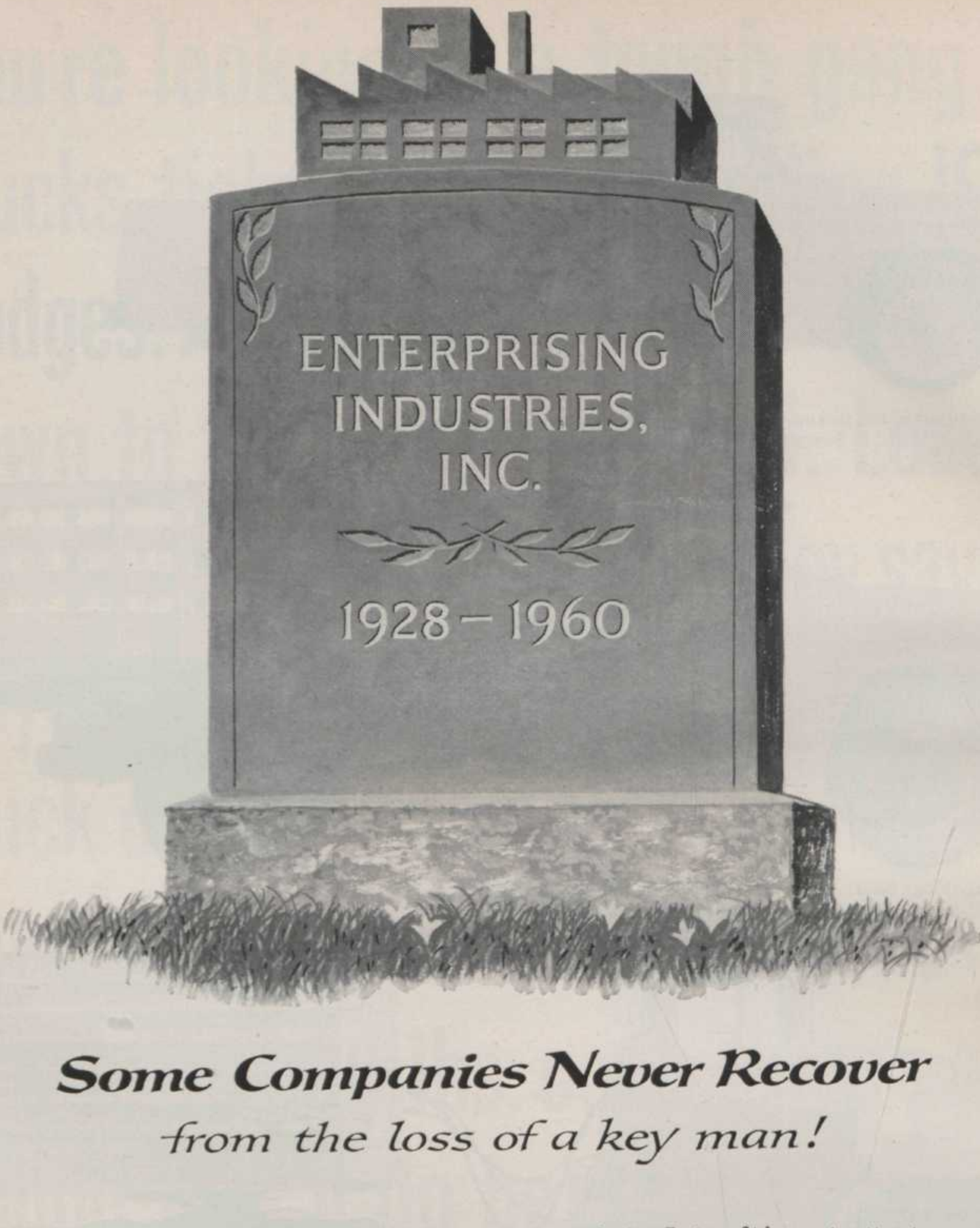


All-new 1961 Dodge D500 with stake body. Maximum GVW, 19,500 lbs. 318 and 361 cu. in. V8's or 251 cu. in. 6-cylinder engines available.

1961 Dodge NCT1000 tandem tractor with 743 cu. in., 220 gross h.p. Cummins diesel engine standard. Maximum GCW, 76,800 lbs.

Dodge builds tough trucks.

A PRODUCT OF CHRYSLER CORPORATION



Some Companies Never Recover

from the loss of a key man!

Replacing an executive can be costly and time-consuming. Business Insurance from New York Life can minimize loss!

Almost every company has at least one key man—a man whose knowledge, abilities and efforts result in business profits.

If he dies or is disabled, his company may be in for serious trouble. The loss will cause continuing disruptions. Sales may be hurt, research impeded, production slowed. Finding a replacement may be difficult, can be very costly. And breaking in the new man will take time. The loss of the key man, and the resulting drain on profits, can well mark the beginning of a company's end.

To hedge against such a loss, many companies rely on Business Insurance from New York Life. Tax-free funds are then available at the executive's death for many business needs: to offset profit losses, to attract a successor, or to continue income for the executive's family.

Business Insurance also provides additional values—as credit and collateral for the company, as a source of funds for the executive's retirement.

For facts about the many kinds of Business Insurance available through your New York Life Agent, call him soon, or write: New York Life Insurance Company, Dept. NB-10, 51 Madison Avenue, New York 10, N. Y. (In Canada: 443 University Avenue, Toronto 2, Ontario)

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Life Insurance • Group Insurance
Annuities • Accident & Sickness Insurance • Pension Plans

management's WASHINGTON LETTER

▶TURN YOUR ATTENTION now to Congress.

Eighty-seventh Congress gets under way in two months.

Action new legislative body takes early next year--or doesn't take--can have as much or more impact on your business in years ahead as economic forces.

Forget campaign oratory.

That's vote-getting strategy.

What new President will ask for, what he'll do, what congressmen will approve during '61 session can seriously interfere with your company's operations and will set the course of taxes you pay in years ahead.

▶NEW CONGRESS, starting in January, will meet an estimated 140 days during 1961, another 140 days during 1962.

Congressional debate will fill more than 50,000 published pages during two years ahead.

You can expect more than 20,000 bills, resolutions, other measures to be introduced.

More than 1,000 bills and resolutions will be enacted into law and another 500 or more private and public bills will be passed.

You can also anticipate that something like 90,000 presidential nominations will be approved by the Senate.

These will include postmasters, Army, Navy, Air Force, Marine officers, judges, other civilian nominations.

Hundreds of others will be unconfirmed.

▶HUNDREDS OF MEASURES Congress will consider will affect business.

Here are some prospects:

Taxes--Congress, during two years ahead, will authorize budget expenditure of an estimated $170 billion.

That's budgeted money only.

What government collects from the public far exceeds this amount.

Total collections and payments to the public are likely to exceed $215 billion during the Eighty-seventh Congress.

Federal debt--Total debt outstanding now is about $290 billion.

You can expect it to rise.

It's likely to reach $300 billion before Eighty-seventh Congress adjourns.

Interest payments alone during next two years are expected to total more than $18 billion, maybe $19 billion.

That will be nearly as much as total federal debt as late as 1932, will be double the total budgeted expenditure of fiscal 1940.

Inflation--You can expect many proposals in upcoming Congress to change operations of the Federal Reserve Board.

Wage controls--One of the outstanding issues of the next Congress will be attempts to boost federal minimum wage by as much as 25 per cent and extend coverage to other industries with many millions of employes.

Business controls--Advocates of stand-by wage and price controls are certain to bring these proposals out again.

Some proposals will ask that government be given veto power over price increases which business may want to put into effect.

Others will require that government be given power to veto proposed merger between two or more companies.

Attempts will be made to pass a federal law abolishing all state right-to-work laws.

Economic growth--You can expect a flood of proposals aimed at promoting business expansion.

Some of them under this heading may include federal aid to so-called depressed areas.

Such legislation, twice vetoed by President Eisenhower, according to one senator, would have provided money for "communities that never knew they were depressed until they heard about the bill."

Farmers--Uncle Sam's agricultural programs, already sizable, may become even more costly.

President says government's cost of stabilizing prices and income on wheat alone already is running $1,000 a minute.

You can expect strong pressure for new farm programs that may boost this cost.

Investigations--Congress, with dozens of committees, will be investigating a wide variety of activities of interest to businessmen.

These will include such things as profits on defense contracts, bidding procedures for government procurement, patent ownership arising from research

and development financed by government, veterans benefits, aid to communities for such things as sewers, airports, roads, streets, schools, many other activities.

▶PRINCIPAL FORCE affecting attitudes of businessmen is profit squeeze.

Here's picture unfolding:

Profits during year ahead probably will dip 15 per cent.

That's minimum prospect for business as a whole.

Could be a decline of 20 per cent, maybe more.

▶CORPORATE PROFITS before taxes were $43.2 billion in '57.

In '58 they fell to $37.7 billion.

Last year they peaked at $47 billion.

This year's profits may equal '59.

For '61?

Probably around $40 billion.

▶TRENDS are averages.

Remember that.

Profit squeeze will pinch some firms harder than others.

Hardest pinch is expected to come in hard-goods field.

Companies operating in soft-goods field can expect proportionately less profit squeeze.

Firms in services field will--on the average--have a good year.

▶YOU NEEDN'T GIVE IN to profit pinch.

Special situations can help you beat national profit trends.

Example:

One company originally anticipated a technological improvement would be ready for production next March.

But a breakthrough in development came recently.

Company is speeding plans to include the new development on its best-selling products months ahead of schedule.

By next March--original target date for getting under way--this firm expects to be leaving competitors far behind in sales volume.

Effect on profits?

Company anticipates losing money on first 40,000 sales.

Company official explains:

"We're sacrificing profits on this item now in order to get ahead later."

Firm confidently expects to improve its profit picture during year ahead while many competitors won't.

▶SELL HARDER--That's policy being followed by many companies.

Here's what they've got to make up:

Study of manufacturing companies shows that after-tax profit of $4.60 results from each $100 of sales.

Sales a year ago produced $5.50 after-tax profit.

What this means is that companies able to boost sales in the neighborhood of 20 per cent can expect to show profits as high--dollarwise--as last year.

That's average for all manufacturing.

Some industries will have to run harder than others just to stay even.

Study shows furniture and fixtures industry would have to sell nearly 50 per cent more to hold last year's profit total.

Tobacco manufacturers need sell only three per cent more.

Firms producing apparel and other finished products need to boost sales about 10 per cent to gain same dollar profits.

▶HARDER SELLING isn't the only path to profit improvement.

Cost reduction offers possibilities.

That's one reason why an estimated $36.4 billion will be spent this year for new plant and equipment (compares with $32.5 billion last year).

Large share of this outlay is going for modernization aimed at cost reduction.

▶DIVIDEND PAYMENTS will hold up.

That's expectation at this time.

Prospects are that close to $14 billion will be paid out this year.

Guess for '61:

Probably the same.

▶COMPARISON keeps dividend payments in perspective.

Dividends in 1950 totaled $9.2 billion.

Payments in 1960 are up 51 per cent.

Compensation of employes meanwhile has gone up 91 per cent in 10 years.

▶WHAT CORPORATIONS will have left over

after paying taxes and dividends will go down sharply in year ahead.

Trends indicated are these:

Undistributed profits in '59 were about $10.5 billion.

About the same is expected this year.

Could be a little less.

For next year, figure may nose-dive to neighborhood of $6 billion.

If so, that would be lowest since '45.

▶BUSINESS PUSH will come from expectation of higher defense spending.

But don't count your defense checks before they're hatched.

New orders are being placed at stepped-up rate at this time.

That sparks optimism, boosts confidence in some defense industries.

But payments won't begin to rise much until next spring at earliest.

Biggest increase in payments won't come before next fall.

▶HERE'S DEFENSE spending in perspective:

All national security cost taxpayers $45.6 billion in fiscal '60.

That's down from $46.4 billion in '59, up from $44.1 billion in '58.

Outlay during year ahead is expected to go slightly above $46 billion.

Further increases are indicated by five-year look ahead.

Annual rate of about $51 billion can be expected by '65.

▶BIG GOVERNMENT spending increases come in nondefense programs.

Average increase in spending for defense has been about three per cent a year for past five years.

Nondefense expenditures have been going up about seven per cent a year for the same period.

▶FIGURES TO KEEP in mind:

Federal spending has been going up an average of $2.7 billion a year for five years.

Of that amount:

Defense has been rising an average of $1.1 billion a year while nondefense has been going up about $1.6 billion a year.

Nondefense programs cost the taxpayers $23.8 billion (budget dollars) in '55.

Cost in '60 was about $31 billion.

By '65 they're expected to soar above $40 billion.

These are minimum estimates.

Total budget in '65 could be as high as $100 billion or more.

▶DO HIGH TAXES stunt economic growth?

Here's way to see for yourself.

Personal taxes will take an estimated $50 billion from Americans this year.

That's $29 billion higher than 1950.

Personal taxes today are up 140 per cent in 10 years.

Total personal income during same time has gone up 77 per cent.

▶PERSONAL TAXES 10 years ago took about nine per cent of total income.

This year taxes will take more than 12 per cent.

▶ONE REASON personal taxes are higher:

Social security taxes have tripled for many employes.

Maximum social security tax was $44 in 1950.

Now the maximum is $144.

▶WOULD YOU INVEST $1 for a return of $14.50?

Many Americans have done so.

Here are the facts:

Man retiring this year at age 65 who has paid maximum social security since program began has paid $1,290 total tax.

He's expected to live 13 more years, collect benefits totaling $18,720.

▶SOCIAL SECURITY TAXES exceed income taxes for many families.

Worker with wife and two children and $3,150 annual income pays $94.50 social security tax.

That compares with $92 which he has to pay in federal income tax.

▶LOOK TO THE FUTURE for total impact of rising social security taxes.

These taxes now cost employe $144 on income of $4,800.

In 1969, taxes on same income will rise to $216.

Employer matches employe payments.

That means:

Social security taxes in 1969 will equal approximately nine per cent of this employe's income.

Business opinion:

School planners, architects criticized for "nonessentials"

In "Control, Not Dollars, is Real School Issue," [September] you have hit the nail on the head. The money spent in building other than educational facilities—auditoriums, cafeterias, gymnasiums, and things of that character—is taking entirely too much of the money voted by the taxpayers for educational buildings.

We have reached a point where bus transportation is supplied so students won't be too tired to enjoy the athletic and gymnasium facilities when they arrive at school. If they would walk the distance, the requirement of gymnastics and athletic fields would be materially reduced. The expensive ideas of school architects and planners to supply nonessentials have gone hog-wild.

I hope you will keep hammering at this situation so that the money comes from taxpayers who enjoy the facilities in the local school districts to which they belong.

W. H. DAUM
W. H. Daum & Staff
Builders
Los Angeles, Calif.

Your September issue included two articles which I could use effectively in group discussion: "Control, Not Dollars, is Real School Issue" and "New Ideas Shape Future Schools."

May I have permission to run these articles through our duplicating machine?

F. L. REID
Director of Financial Research
The Mountain States Telephone and Telegraph Company
Denver, Colo.

►*Permission granted—on this and other requests (see below).*

Stay on top of your job

I have just read your penetrating article, "How to Stay on Top of Your Job," [September] and I confess it engendered a lot of soul-searching on my part. It is this type of material that we are constantly looking for to use in our training conferences in the Transit Authority.

VINCENT R. STAATS
New York City Transit Authority
Brooklyn, N. Y.

More justice for business

The Federal Trade Commission is undertaking to write new "law" affecting the fresh fruit and vegetable industry and its trading method of operating under the law of supply and demand.

We should like to comment on this subject and in doing so would like to quote from your article, "Coming: More Justice for Business" [June].

A. M. ABRAHAMSON
President
Produce Reporter Co.
Wheaton, Ill.

Olé!

This is to request permission to reprint (in Spanish) in our *Boletin de Gerencia Administrativa*, the article "Executives Can Simplify Their Jobs," [February 1958].

The *Boletin* is a noncommercial, monthly publication of the Bureau of the Budget, Government of the Commonwealth of Puerto Rico, devoted to material on public administration. It is distributed not only in Puerto Rico and in the United States, but also in South and Central America and in Spain.

JORGE FELICES
Editor
Bureau of the Budget
San Juan, Puerto Rico

Ammo for admen

We have been commissioned to do an intensive job of campaign development around the general subject of "Competition for Manpower."

We are specifically interested not only in business-wide problems of personnel recruitment and management training and development, but in every phase of industry's battle to get and hold good people. This includes areas of development for specific job functions as well as development of management skills in general.

Our study will also encompass the problems of interindustry competition for manpower.

As basic source material, I believe many of the pages that you have devoted to this subject will be of considerable value to us.

HUGH M. REDHEAD
Vice President and Manager
Fuller & Smith & Ross Inc.
Pittsburgh, Pa.

Help for ministers

Our business is assisting the churches of America in obtaining


The Money Machine*. . .
MONROE
. . . in which it buys a Hydraulic Test Unit!

adequate financing for expansion and development. In this connection we do a quantity of direct mailing to the clergy and we would like to make copies of "Happy People Worry More Than Average" [August] available to them.

CARL B. ABLESON
Vice President, Operations
The Institutional Investment Company of America
Fort Worth, Tex.

Winning at the polls

"How to Win an Election" [August] is a fine article regarding the effectiveness of the Action Course in Practical Politics.

It will be my privilege to conduct my second class in this course for the Kirkwood Chamber of Commerce and I could think of nothing better to pass out to the class than this article.

H. C. BROWN
Joy Manufacturing Company
Pittsburgh, Pa.

Overlooked—the shiftless

In your September issue I failed to find the word "unemployable."

No discussion of the unemployed is of value that fails to take account of men who steal habitually, get drunk—who are so anti-social they stir up trouble. They are men no one would employ.

A careful count of such men in a typical small town in New York state where I was born runs about five per cent.

HARRY W. JOHNSON
Altamaha Inn
Darien, Ga.

Needed: common sense

It takes but an old-fashioned eighth grader to see the foolishness of demanding more and more and then wondering what caused the cost of living to rise [Reference to "What Unions Want Next," September.]

A bunch of spendthrift boys can break the old man, and very likely not one of them could run the business. Unless we exercise some good, sound, common sense I think we will play right into the ism that we criticize.

ISAAC HERSHEY, JR.
Strasburg, Pa.

We're in the Army now

May we reprint "How to Stay on Top of Your Job" [September] and "Words Can Block Success," from the same issue?

These articles will be used as required reading for students in our Officer Career Courses.

MAJ. CHARLES D. CAUSEY
U. S. Army Chemical Corps School
Fort McClellan, Ala.

PIEDMONT CAROLINAS

Where Wealth Awaits You

You have
GRANDFATHER'S
CHANCE

WHO has not wished for his grandfather's chance to establish a business, to invest in young and vigorous enterprise, to buy real estate *sure* to multiply its value year after year?

You have that chance.... the opportunity to move your business here, and to make your investments grow into a solid fortune. But grandfather's risk has been cut 'way down.

For *he* had to pioneer. He gambled on what *might* happen in developing industries, enlarged markets, multiplying values. For you, the risks are discounted. The hard pioneering work has already been done.

State-wide road building has opened up whole sections of Piedmont Carolinas where previously the only work available was on backwoods farms. A great public service group has carried hydro-electric development into these sections, providing *industrial* employment for the abundant labor.

Business men have grasped the opportunities. Wealth during the last few years has increased *three times as fast* as in many older, more highly industrialized states. Now is the time to build with this section. Take advantage of the opportunities to set up *your* business in Piedmont Carolinas, to supply the industries already established here. Serve the rich markets that have been developed and that are growing far faster than they can at present be supplied locally.

Investigate. Get all the details that apply to you and *your* interests. *Our Industrial Department, Room 103, Mercantile Building, Charlotte, N. C., gladly places its facilities at your service. Write.*

Success that has been doubled and redoubled

Rich Markets

PIEDMONT CAROLINAS
Where Wealth Awaits You

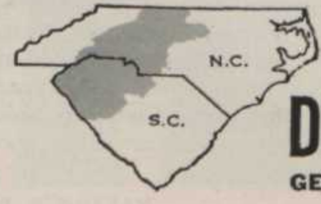
DUKE POWER COMPANY
(OWNERS OF SOUTHERN POWER COMPANY, SOUTHERN PUBLIC UTILITIES COMPANY & ALLIED INTERESTS)

In 1927, this national advertisement made a bold promise to prospective industrial investors in the Piedmont Carolinas. That promise is today richly fulfilled in a Piedmont that leads the South in manufacturing output and family income.

Fulfillment brings an even greater promise. World leadership in three industries has created new markets in the Piedmont Carolinas. Power ahead of demand, a Piedmont asset for over fifty years, is readily available today for new industrial growth. Transportation by air and rail, and by some of America's finest roads, brings the Piedmont Carolinas within overnight reach of the East's top markets, the Great Lakes, and especially the Southeast—fastest growing consumer market in the nation.

A rare combination of resources and resourcefulness, here barely indicated, suggests significant new location advantages.

The Piedmont Carolinas renews its promise for another great growth era. For information specific to your industry, in confidence, entirely without obligation, write our Industrial Development Department.



DUKE POWER COMPANY

GENERAL OFFICES: CHARLOTTE, NORTH CAROLINA

YOU AND POLITICS:

Citizens' job just beginning

WHEN THE LAST BALLOT has been counted in the Presidential election, the job of building citizen participation in politics will only be starting.

This is the opinion of business leaders who have encouraged their executives and employes to take a vigorous role in the 1960 campaign.

At the national, state and community level of political action, emphasis now must shift to keeping interest in political participation alive. Traditionally, such interest has suffered a sharp letdown after election day.

The keys to keeping interest and participation high, the experts say, are essentially two:

▶ Maintaining, and adding to, special company-sponsored programs designed to build employe interest in political action.

▶ Focusing attention on off-year elections and issues with close-to-home impact.

Maintaining interest

"Between elections, a political party's most formidable competitor is not the opposition party—it's the bowling alley," according to Neil Staebler, former chairman of the Democratic National Committee's Advisory Committee on Political Organization and director of the 1960 campaign's Special Projects Division.

The citizen—and businessman—who sits back between elections fails to realize that he cannot be fully effective in picking the men who will run his government and determine his future by merely voting on election day, or even by helping his party during the several months preceding election.

Politics is a year-round operation, and the people who work at it on that basis are the ones who shape party policies and select the candidates.

Both parties in this campaign have been helped by volunteers who got started in politics by taking a political participation course. More than 100,000 people throughout the country have gone through the U. S. Chamber of Commerce Action Course in Practical Politics and another 10,000 to 20,000 persons have taken similar courses. A number of graduates of these courses have themselves been elected to political office.

However, "if businessmen see Nov. 8 as the only target date for their corporate public affairs programs and for their personal political activity . . . then this whole movement will take its place with other business fads that have enjoyed their moment of popularity," warns Thomas R. Reid, civic and governmental affairs manager for the Ford Motor Company.

How can businessmen help maintain the interest in politics which has been built up? Company officials whose responsibility is civic affairs agree that this presents a serious problem—unless dynamic programs are organized to keep interest alive.

An important answer lies in making additional political participation courses available and encouraging more people to enroll. Enthusiastic support by top management of participation in politics is essential in drawing out employe interest.

Responsibility for a company program in public affairs should be assigned to one officer. A number of the larger corporations have a full-time director and staff. Smaller businesses can make the assignment on a part-time basis and, in some cases, can join with neighboring companies to conduct a joint program.

Issues a key

Companies which have had active civic affairs programs for a number of years have learned that one key to holding postelection interest is to concentrate on issues, particular-

"I say, man, pots are passé...

Now Kelvinator Hot 'n Cold reduces coffee-break time by half or more overnight! Why? Because it ends going out, sending out and coffee-making mess . . . saves thousands of dollars every year! In addition, employees enjoy its quick convenience. Just look at it. Hot water for delicious instant coffee, chocolate or soup; cold water for snappy instant soft drinks; cold storage for several quarts or two dozen 6-ounce bottles, and 48 cube ice service. Want to know more? Write today for the *free* booklet, 'Modern Business Needs the Modern Coffee-Break,' and the details about Kelvinator's special *free* Beverage Bonus . . . 100 assorted instant beverages, plus 100 cups and spoons. Kelvinator Water Coolers, Department 85, Columbus 13, Ohio."

Kelvinator
HOT 'N COLD
AND STANDARD WATER COOLERS

Sold coast-to-coast—rented in many cities. Distributed in Canada by Kelvinator of Canada, Ltd.

CITIZENS' JOB

continued

ly local and state issues. National issues should not be slighted, but the problems close to home hold the most interest for the average person, according to William Baumer, special assistant to the president of Johnson & Johnson, which has had a civic affairs program since 1951.

The fact that states, counties and cities have a continuing succession of off-year elections gives impetus to interest in local matters.

The program set up by the Weekapaug Group, composed of 38 corporation presidents and business managers in Rhode Island, illustrates how discussion of issues can be organized. Seminars throughout the state cover such topics as state and local taxation and expenditures, unemployment compensation, metropolitan government and services, education, area development programs, workmen's compensation, law enforcement and the courts, welfare costs and programs, and the organization of state and local government.

Those attending the seminars are divided into discussion groups of seven to 12 persons. Individuals who have researched the issue give a background briefing. Another person then leads the discussion. Several topics can be covered in one session.

Some companies have found that seminars with as many as 20 to 30 people can be conducted successfully. Inviting as guest speaker a local or state official who deals with the matter under discussion heightens interest.

Seminars on national issues which have a direct effect on business or wide general interest will keep managers and employes in touch with the broader problems.

Particularly valuable are economic discussion groups, which provide a basic understanding of the economy and a useful background for interpreting many issues. A packaged course in economic understanding is available from the U. S. Chamber.

Trips to the state legislature give participants a better understanding of the legislative process and also help familiarize them with their representatives. Meetings to which United States senators and representatives are invited serve the same purpose.

General Electric Company has found discussion of current issues

(continued on page 23)

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New
APECO ComBind®
BINDS ANYTHING with COLORFUL PLASTIC!
Now . . . a plastic binding machine designed specifically for office use and priced to be practical for even the smallest business. It's compact, portable, handsomely styled . . . so easy to operate anyone is an expert the first time they use it. One machine does the complete job to give professional quality plastic binding to presentations, reports, catalogs, etc. Gives all business literature standout eye appeal and extra sales power.
it's portable!
CARRY IT ANYWHERE
— BIND ANYTHING!
SEND THIS CARD FOR NEW FREE BOOKLET
Have you read this New FREE BOOK?
Find out how low-cost APECO plastic binding can step up the beauty and effectiveness of your business literature. Give your company added sales power and save money too. It's all in this new free book . . . important reading for every businessman.
APECO
the future in your office today
AMERICAN PHOTOCOPY EQUIPMENT COMPANY
2100 West Dempster Street • Evanston, Illinois

ALL-THE-WAY NEW

FORD Econoline TRUCKS

ALL-THE-WAY NEW TO SAVE IN 4 BIG WAYS!

New Van Turn an Econoline Van loose on your route and watch delivery costs plummet! Cargo space is up to 57 cubic feet bigger than conventional ½-ton panels! Big double doors at both rear and curb side give real load accessibility! Floor is level, too—no rear engine hump! And there's three feet less length to turn, park, or garage!

New Station Bus Nothing matches this beauty for comfort, room, and low costs! There's room to spare for eight with picture-window visibility! Converts to load hauling in just a few minutes. And what loadspace—twice that of the "biggest" station wagons! Best yet, it's priced below even compact station wagons!*

New Pickup Meet a revolutionary new pickup that saves more ways than any truck you've known! Modern cab-forward design pares away over a thousand pounds of dead weight, yet you get as much payload capacity as many standard ½-tonners! It's three feet shorter over-all, yet there's a big 7-ft. box with 73 cubic feet of loadspace! You get lively performance in a proven Falcon Six that can give up to 40% better gas mileage . . . saves up to $215 a year! And, the best news, it's priced below many standard ½-tonners!* See it at your Ford Dealer's!

*Based on a comparison of latest available manufacturers' suggested retail delivered prices.

1. **Low price!** Save from the start with Ford's traditionally low prices!
2. **Up to 30 mpg!** In certified tests, the Econoline Pickup delivered 30 mpg . . . you can save as much as 40% on gas!
3. **Less dead weight!** 1050 pounds less chassis weight, yet carries over ¾-ton payloads!
4. **Bigger loadspace!** 7-ft. box—up to 23% more room, but 3 feet less truck length to handle!

FORD TRUCKS COST LESS

YOUR DEALER'S "CERTIFIED ECONOMY BOOK" PROVES IT FOR SURE!

FORD DIVISION, *Ford Motor Company*,

Business slips when streets are slippery

Business is better, streets are safer when your town uses Morton Safe-T-Salt*

Icy streets are bad business. They hinder traffic and annoy residents to the extent that they often will not drive into town to shop. Can you afford the loss of business?

Icy streets are dangerous streets that cause accidents . . . slow down police, fire and medical calls . . . stall vital city services. This costs everybody money and can cost some their lives.

You can't afford a situation like this. But then, can you afford to have your town spread sand, cinders and other abrasives that do absolutely nothing to remove dangerous ice and packed snow? Remember, abrasives merely cover icy surfaces. They are easily dispersed by wind and traffic. They leave a rutted, gritty pavement and clog sewers and drains, often necessitating costly cleanouts. Can you afford this waste of tax money?

Can you afford to have your town use your tax dollars to pay a premium for de-icing chemicals costing from one and a half to twice as much as Morton Safe-T-Salt? Even if you could, it would be an unnecessary extravagance for Morton Safe-T-Salt (Rock Salt) gives you safer winter streets, quicker and at less cost.

What you can do. You can send for a free booklet on Morton Safe-T-Salt today. It tells you how and why Safe-T-Salt gives you safer streets, quicker and at less cost. It compares costs, speed and effectiveness of all the various methods of melting ice and packed snow. In fact, this booklet contains enough facts and figures to convince any city official that it's good business to buy Morton's Safe-T-Salt for icy, snow packed streets. If you'd like to send us the names of officials in your town who should be interested, we'll see that they get a free copy of the booklet on Morton Safe-T-Salt, too.

**Safe-T-Salt is a trademark of the Morton Salt Company*

MORTON SALT COMPANY

INDUSTRIAL DIVISION

Dept. NB11, 110 N. Wacker Drive, Chicago 6, Illinois

CITIZENS' JOB

continued from page 16

in company publications an effective means of keeping politics fresh in the minds of employes, according to Willard V. Merrihue, GE's community and business relations manager.

The Hamilton (Ohio) Industrial Council has started a pilot program to encourage contributions to both political parties. A pamphlet urging that employes contribute to the party of their choice, together with stamped envelopes addressed to the local treasurers of both parties, has been distributed to 12,000 workers.

Executives experienced in conducting political affairs programs suggest that companies hold back their main effort until January. Election day is followed closely by Thanksgiving and Christmas, and people who have worked in the campaigns need a brief rest from politics. A bridge to the new year can be provided, however, by recognition luncheons and dinners for employes who have run for office, meetings with newly elected officials, and discussions analyzing the election results.

Do the parties need active workers immediately after elections? Officials at the national headquarters of both parties reply with an emphatic "yes."

"Political parties are so poorly organized that the room for improvement is as great as that of a company teetering on the edge of bankruptcy," says Mr. Staebler, who learned his practical politics as chairman of the Michigan Democratic State Central Committee.

The best time for improving party structure is right after an election, when the pressure of conducting a campaign has been lifted, he points out. It is here that businessmen can make a valuable contribution, because the successful businessman has a feel for organization which can be put to effective use.

Two other areas in which a party must work after the election are studying, debating and providing speakers on issues, and starting the long-term project of finding and grooming candidates for the next election.

Business and professional people can serve by working on committees set up to advise elected officials, accepting speaking engagements to explain issues and party programs, and by making themselves available as candidates, according to

CITIZENS' JOB

continued

Arthur L. Peterson of the Republican National Committee's action committee program.

Officials of both parties emphasize that volunteers should not allow themselves to be discouraged by local political organizations which show little enthusiasm about accepting them. Both national committees are trying to smooth the path for volunteers, but some local party chieftains still are reluctant to dilute their own power by accepting newcomers. The need for new workers is real however, and resistance is being overcome more rapidly.

"A good party organization never has any down time," Mr. Staebler says. "It's a poor one that believes it has nothing to do after election and doesn't need help." **END**

HOW TO MAINTAIN POLITICAL MOMENTUM

The U. S. Chamber of Commerce offers the following program for keeping interest in political participation alive after Nov. 8.

1. Give recognition to employes who worked on the 1960 campaign and to any who have won elective office.

2. If you are using the Action Course in Practical Politics, organize more courses.

3. If you are not using the course, start using it.

4. Set up a "Know Your Elected Officials" program so that your employes can meet those elected in November.

5. Keep your employes informed on state and federal issues on a pro and con basis. The National Chamber will provide information on national issues. State chambers or state or regional trade associations are a source of information on state issues.

6. Encourage employes to express their opinions on the issues to state and federal legislators.

7. Set up economic discussion groups so your people can express informed views on legislation.

8. Arrange visits of your management personnel to the state capital so your people can get acquainted with legislators.

9. Get the Action Course program adopted in your local public school system and in the adult education center.

The Presidency inspires greatness

BY EDWARD T. FOLLIARD

IT IS HARD to imagine a more profound transition than is experienced by a man elected for the first time as President of the United States.

He is the same man who for months has been campaigning and maneuvering for the prize. Yet an enormous change has come in his life. To his countrymen, including millions who may have voted against him, he is no longer the same man, and never again will seem to be the same man. As long as he lives, there will be about him an aura that wasn't there before.

For four years, maybe eight, he will be the First Citizen of the Republic. He will find himself "at the top of the world, holding the destinies of millions in his hands, and making decisions that change the course of history." He will be conscious of the fact that he holds an office that was glorified by George Washington and Abraham Lincoln. This should bring out the best that is in him; should inspire him, indeed, to rise above what others may have thought was his best.

Even if he should have hard luck in the Presidency, and be voted out of the White House after a single term, there is a good chance that in time virtually all of his fellow Americans will come to admire him, even revere him. It has been so with Herbert Hoover.

Harry S. Truman, an intense partisan, used to get scorching letters from Republicans when he was President. He thought the letters would continue even after he retired. In an account of what happened when he left the White House and went back to Independence, Mo., narrated in "Mr. Citizen," Mr. Truman says:

"What surprised me was that there was so little serious criticism in the mail. Some of the writers had disagreed with my policies as President and were frank in saying so, but as a rule they wished me well. A New Hampshire Republican even sent a ten dollar contribution to the fund I was trying to raise to house my Presidential papers. . . ."

Prof. Clinton Rossiter of Cornell University, author of "The American Presidency," has noted that foreigners sometimes see the great office better than we ourselves see it. At any rate, they seem to be able to talk and write about it more eloquently. Here is John Bright, an English statesman of the Victorian era, as he pays tribute to the Presidency in 1861:

"We know what an election is in the United States for President of the Republic. . . . Every four years there springs from the vote created by the whole people a President over that great nation. I think

CULVER SERVICE

President Washington, calm under cannon fire, was nervous and awkward at his inauguration

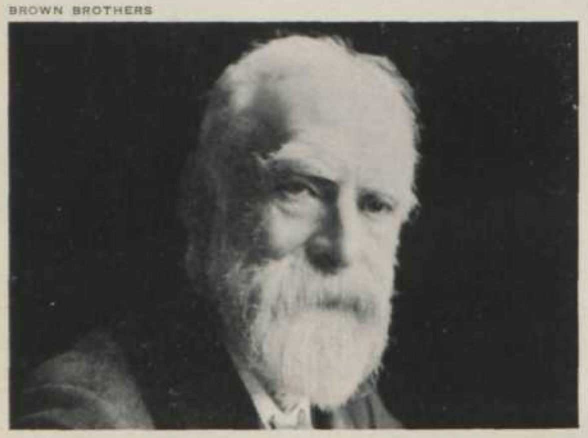
the whole world offers no finer spectacle than this; it offers no higher dignity; and there is no greater object of ambition on the political stage on which men are permitted to move.

"You may point, if you will, to hereditary rulers, to crowns coming down through successive generations of the same family, to thrones based on prescription or on conquest, to scepters wielded over veteran legions and subject realms—but to my mind there is

nothing more worthy of reverence and obedience, and nothing more sacred, than the authority of the freely chosen magistrate of a great and free people; and if there be on earth and amongst men any right divine to govern, surely it rests with a ruler so chosen and so appointed."

Viscount Bryce, British Ambassador to the United States from 1907 to 1912 and author of "The American Commonwealth," remarked that the social relations of an American President to his people were eminently refreshing, especially to a European ob-

BROWN BROTHERS



A President, said Viscount Bryce, is strong because his rights come straight from people

server "weary of the slavish obsequiousness and lip-deep adulation" shown royalty in the Old World.

Viscount Bryce added:

"It used to be thought that hereditary monarchs were strong because they reigned by a right of their own, not derived from the people.

"A President is strong for the exactly opposite reason, because his rights come straight from the people."

Today, in the one hundred and seventy-first year of the republic, the office of President seems so right, so logical, that it comes as a surprise to read that the Founding Fathers had great difficulty in agreeing on its form—more difficulty than they had with anything else in the new governmental structure.

Edmund Randolph, 34-year-old Governor of Virginia and a delegate to the convention that assembled in Philadelphia in 1787 to draw up the Constitution, was opposed to a single individual heading the executive branch. He argued that this would be the "foetus of monarchy."

Governor Randolph proposed that the executive power be reposed in a committee—one executive from the North, one from the South, and one from the Middle States. (There was then no West as we understand it today).

"Heaven was on the side of the young republic when this idea was discarded," says Stefan Lorant, author of "The Presidency."

But the idea wasn't easily discarded. Roger Sherman of Connecticut was another who favored a multi-headed executive, saying that Congress "should be at liberty to appoint one or more (executives) as experience might dictate."

James Wilson of Pennsylvania, answering Governor Randolph's argument, said that "unity in the executive instead of being the foetus of monarchy would be the best safeguard against tyranny." And John Rutledge of South Carolina agreed that "a single man would feel the greatest responsibility and administer the public affairs best."

In the end, seven states voted for a single executive. Three—Delaware, Maryland and New Jersey—voted against it. Thus the United States was to have only one President.

The delegates at the 1787 convention next took up the question of selecting the Chief Executive. This, too, involved protracted debate and clashing judgments. George Mason of Virginia, arguing against popular election, said that it "would be as unnatural to refer the choice of a Chief Magistrate to the people as it would to refer a trial of colors to a blind man." Elbridge Gerry of Massachusetts thought that the governors of the states ought to choose the President. At one point, all of the states voted in favor of having Congress make the choice.

Those who favored popular election felt so strongly about the issue that they brought it before the convention in different form over and over again. Finally, there emerged a compromise solution—the electoral college which, though an anachronism, survives to this day.

There remained the question of the length of the President's term. Luther Martin of Maryland was for an 11-year term and Gerry of Massachusetts for 15 years. Rufus King of Massachusetts suggested that the Chief Executive should serve for 20 years, "as this is the medium life of princes."

A special committee, appointed to wrestle with the problem, came in with a recommendation that the President should serve for four years, leaving open the question of re-election. And that was the way it went into the Constitution.

Only a man with great self-confidence, as well as a passion for distinction, would ever dream of going after the Presidency. But what happens after he realizes that the office is his? Is he, perhaps, shaken by the awesome responsibility he has assumed?

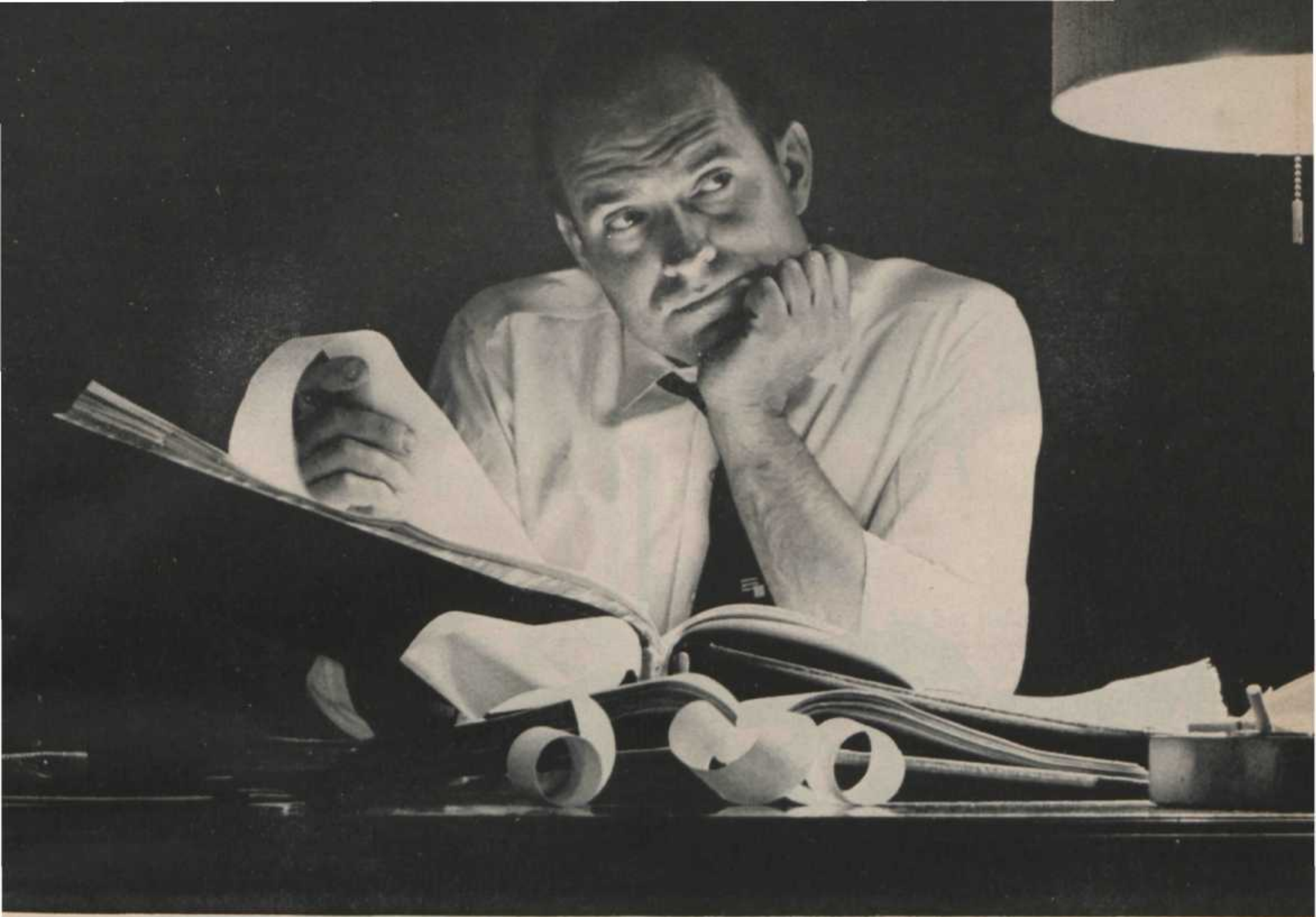
If he is, he could find comfort in reading the letter which President-elect Washington wrote to his friend, Gen. Henry Knox, before leaving his home in Mount Vernon for New York for his first Inauguration:

"In confidence I tell you that my movements to the chair of government will be accompanied by feelings not unlike those of a culprit who is going to the place of his execution."

President Washington, according to eyewitnesses, was "agitated and embarrassed" as he delivered his inaugural address; he who had been calm under musket and cannon fire.

Sen. William Maclay of Pennsylvania, who looked on at the ceremony, was upset by the soldier-statesman's nervousness, and by the awkward way in which he delivered his address.

"I felt hurt that he was not first in everything," Senator Maclay wrote in his journal.



No labels protect buyer of political ideas

BY FELIX MORLEY

"THE LAW," says a recent publication of the Small Business Administration, "recognizes the right of a buyer to know what he is getting for his money. It seeks to protect him from false and deceptive labeling and advertising."

The article from which this is quoted is entitled: "Are Your Textile Labels Legal?" It is written by a high official of the Federal Trade Commission with particular reference to the new Textile Fiber Products Identification Act, which "picks up where the Wool Products Labeling Act of 1939 leaves off." The two together, it is emphasized, make very precise labeling mandatory for the entire field of textile products. The chairman of the FTC has announced that from now on, in this matter of labeling, "fraud and deliberate misrepresentation will not be tolerated at any stage."

• • •

Public acceptance of this further extension of governmental police power may be assumed. It certainly makes hay out of the common law doctrine of *caveat emptor*—"let the buyer beware." It is the seller who must now inform those innocent consumers who know nothing of the fibrous differences between, say, olefin and spandex. If headaches are multiplied for both manufacturers and merchandisers, that is scarcely more than both groups have by this time come to expect.

Possibly, even, some would argue for expansion of "the right of a buyer to know what he is getting for his money." If government is concerned with the ingredients in the shirt on your back, it might also claim to have an interest in the character of ideas in your head. There seems no good reason why the composition of textiles alone should be so closely scrutinized by officials. Why not also the synthetic elements in those political platforms between which the voters are now called upon to choose?

Under the new law, the FTC explains, "you may not describe a ladies' blouse as being made of 65 per cent Dacron and 35 per cent cotton." The producer must insert the "generic name" for Dacron, which is polyester. None has yet suggested that the congressmen who produced this labeling law should be similarly analyzed for voter protection, as 65 per cent hokum and 35 per cent common sense, for instance. Yet one can discard an unsatisfactory blouse much more easily than a deficient congressman.

Physical materials, of course, can be analyzed with

Government, concerned with the quality of merchandise, may also control your ideas

a scientific accuracy impossible in the case of mental and moral characteristics. But that does not prevent dictatorial governments from labeling people as privileged or pariah solely on the basis of their submissiveness to those in power. So it is not at all fantastic to be somewhat apprehensive about the possible extension of our own labeling laws. Such anxiety is justified when one notes that officials empowered to crack down on misrepresentation in commerce are themselves not infrequently prone to promote a parallel misrepresentation in the field of politics.

• • •

Take, for illustration, the word "democracy," which official Washington so constantly yet wrongly uses to describe our form of government. As a politi-

cal term, the noun signifies a governmental system in which there is no calculated obstruction to the triumph of the majority will, as expressed by freely elected representatives. In a democracy the majority will is assumed to be desirable and is therefore unimpeded by constitutional restraints.

Whether such a system is deemed good or bad, it is certainly not the one established for the United States. For in at least three major respects the power of the national legislature is, with us, intentionally circumscribed and limited.

In the first place, there are certain areas in which the Constitution specifically prohibits legislative action of any kind: "Congress shall make no law respecting an establishment of religion . . . abridging the freedom of speech or of the press . . ." Also, the Constitution limits the right of Congress to intervene in matters of strictly local concern: "The powers not delegated to the United States . . . are reserved to the states respectively . . ." Then the President is given a veto power over all legislation passed by Congress, requiring a two-thirds vote of both Houses to override.

It may further be noted that under our very undemocratic electoral system we have three times excluded from the Presidency the candidate who received the greatest number of popular votes.

These and other restrictions on the majority will are deliberate and intentional. The clearly expressed purpose of the founding fathers was to protect individual freedom and local self-government against the always potential tyranny of a national majority. So, while admitting that democracy is a seductive word, our early statesmen continually warned against use of that misnomer for the United States. In the words of President John Adams: "There never was a democracy that did not commit suicide."

Of course a federal republic cannot in fact be a political democracy because, by its very nature, a federation must keep local matters under local control, regardless of national opinion on a controversial issue. Nevertheless it is now commonplace for government officials, sworn to uphold the Constitution, to describe the United States not only as socially democratic, which it happily is, but also as politically democratic, which it certainly is not. How can one properly use that term to describe a Senate that gives exactly equal representation to Nevada and New York, although the latter has some 60 times the population of the former?

• • •

Even less democratic is the arrangement whereby the electoral vote, in this presidential election, will follow the unit rule, suggesting that some states are unanimously for Nixon and others the same for Kennedy.

So there is inconsistency, to say the least, between the punishment of misrepresentation in terms of products and the encouragement of it in terms of politics. The one form of falsehood is surely as injurious as the other. If officials are authorized to crack down on deception in the one case, they should be doubly careful not to practice deception themselves in the other. For explanation of the anomaly one must focus on the adjective "deliberate."

It is only against "deliberate misrepresentation" in the labeling of textiles that the FTC is at present moving. The parallel misrepresentation in calling our federal republic a democracy is seldom deliberate. Because power is most easily centralized and taken from the states in a democracy, some bureaucrats use the word with hopeful expectation that what we say we are we will eventually become. But for the most part the false label is carelessly attached, because it reads pleasantly and is mistakenly assumed to mean the opposite of dictatorship.

Inadequate schooling must be held responsible for the widespread acceptance of misrepresentation as to the nature of our governmental system. To read the American history textbooks now used in our schools is to realize that, for the most part, they pay almost no attention to the Constitution. The fact that one was adopted, at Philadelphia in 1787, is mentioned. But the student will look in vain for any adequate analysis of what was there argued and decided, or of the course of constitutional evolution since then.

Benjamin Franklin called new form of government, "A republic, if you can keep it"

There is an unconfirmable legend that when the convention had finally completed its labors, old Benjamin Franklin, on leaving Independence Hall, was asked what form of government had been designed. To this the elder statesman is said to have replied: "A republic, if you can keep it."

What we know he said on that closing day, because it is in the convention records, was that the republic "can only end in despotism, as other forms have done before it, when the people have become so corrupt as to need despotic government."

Labeling laws arouse an uneasy feeling because they assume the corruption that brings despotic government. And these laws further enlarge the police power of officials who too often show themselves wholly ignorant of that principle of self-government which underlies the great achievements of the United States.

SIMPSON EARNS 80% ANNUAL RETURN ON CARRIER AIR CONDITIONING INVESTMENT

When a company has a big investment in highly-skilled labor, even a modest increase in worker productivity can pay off handsomely.

A striking case in point is the experience of Simpson Electric Company of Chicago, world's largest manufacturer of electronic test equipment.

Simpson estimates that it costs $2000 to train a worker. Even then, two or three years are required to bring his production up to peak efficiency. So the company has a tremendous stake in its 1200 workers and a corresponding interest in their productivity.

Back in 1952 when management decided to invest in air conditioning, it was aware that only a 1.5% increase in worker efficiency would cover the owning and operating costs.

Results, however, have exceeded the highest expectations. Production has jumped 3.5% during summer. And there have been many other benefits.

Improved working conditions have cut labor turnover 33%. Clean filtered air has saved 68% in labor lost through rejects. Cleaning maintenance time has been cut 50%. And precise temperature and humidity have greatly reduced quality control problems.

As a result, Simpson is earning a handsome 80% annual return on its Carrier air conditioning investment.

Many other manufacturers report that Carrier year-round air conditioning is paying similar dividends which, significantly, do not vary greatly as the result of geographical location or the type of products manufactured. The most important factor in determining the profitability of air conditioning, in almost all cases, is the density of workers in a plant or plant area.

Where the number of square feet per worker is low, the return on an air conditioning investment will be high. For this reason, the most densely populated departments should be air conditioned first in any program that calls for the installation of complete plant air conditioning over a period of years.

There are other yardsticks, too—all of them described in the new Carrier booklet, "Will factory air conditioning pay off for me?"

Write for this booklet today. Carrier Air Conditioning Company, Syracuse, New York. In Canada: Carrier Air Conditioning Ltd., Toronto.

PRICES: WHAT MIGHT BOOST THEM

Whether price inflation is inevitable or not depends on two sets of factors

IN CHARTING THE FUTURE, one of the greatest uncertainties a businessman faces is whether or not the nation will have stable prices.

Predictions in this area are notoriously hazardous. At the end of World War II a sharp deflation in prices was universally expected. Now, 15 years later, the collapse has not taken place. Instead, until recently, we have seen a steady rise in prices that led to almost complete agreement that inflation had become a way of life.

The question now is whether prices will continue at the present level or begin another cycle of increases.

Whether price inflation is inevitable or not depends on two sets of factors:

- The economic, or nonfiscal.
- Government policies.

An examination of these will not show us definitely what prices are going to do, but it will help us locate inflationary influences and combat them if they reappear.

The nonfiscal and nonmonetary factors which influence prices are:

- Wage inflation.
- Price patterns.
- Research and development.
- Domestic and foreign competition.
- Public attitudes toward inflation.

Wage inflation

In the postwar years, unit labor costs rose sharply, far outpacing gains in output per man-hour. Continuation of wage inflation over a long period must lead to higher prices. There is a limit to the economy's ability to absorb higher labor costs out of profit margins and the public is not likely to tolerate mass unemployment. The latter is bound to result in large-scale government spending or tax reductions, or some combination of both, with resulting budgetary deficits.

At this point wage inflation leads to fiscal inflation. The effect of these programs to reduce unemployment would probably be an increase in the budgetary deficits. A piling up of deficits in turn creates pressure for price inflation. The classic road to inflation is painted with red ink.

It is imperative, therefore, that total labor-cost increases be kept in line with productivity gains. This does not mean annual adjustments equal to each year's rise in output per man-hour. It does mean that, over a period of years, these relationships must be maintained. This is a simple proposition. As a nation we cannot raise the level of living faster than we increase the production of goods and services. If incomes are increased more rapidly than the supply of goods and services, part of the extra income is eroded through price rises.

To keep labor cost increases in line with gains in productivity is not easy because workers have become accustomed to much larger annual increases during the past 15 years. Yet there are some hopeful signs. The percentage increases in gross average hourly earnings and in gross hourly earnings plus

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The author, Jules Backman, is a Research Professor of Economics at New York University.

wage supplements in manufacturing industries have been getting steadily smaller. In 1959 they were the smallest for any prosperous year in the postwar period. Although average hourly earnings plus wage supplements have averaged about 11 cents an hour during the prosperous postwar years, this increase has been related to an ever rising total. Thus, 11 cents an hour in 1948 was an increase of 8.5 per cent. In 1957, 11 cents represented a rise of 5.1 per cent and in 1959, 10 cents was a rise of 4.1 per cent.

The prospect is for further decline in the percentage, on the basis of settlements in key industries. The steel industry, for example, estimated the total annual cost of its settlement for 1960-1962 at 3.5 to 3.75 per cent per year, or less than half its average rate of increase in earlier postwar years. These smaller settlements reflect public concern about inflationary wage settlements.

Of course, the changes in labor costs alone tell only half the story. The other half is the change in output per man-hour, which shows no signs of increasing above the historic rate of two to 2.5 per cent annually. Nevertheless, it seems clear that the gap between the two is narrowing and that the magnitude of wage inflation has been getting smaller.

Moreover, in 1959 and 1960 management began to insist more vigorously upon changes in work rules and related practices in an effort to provide some offset to excessive increases in labor costs. Some successes have been achieved. (See NATION'S BUSINESS, June 1960).

These trends provide a hopeful portent for the future. Management has become increasingly concerned about higher labor costs as the war-induced shortages have been overcome, as capacity has been increased to record levels and in some industries far exceeds demand, and as foreign competition has intensified.

One result has been greater resistance to increases in wages and nonwage benefits. There is room for cautious optimism concerning our ability to dampen the magnitude of wage inflation in the 1960's. To the extent this optimism is justified, an important inflationary pressure on price levels will be significantly abated.

Price patterns

Some persons theorize that administered prices caused the price inflation since 1955. There is little support for this belief.

Businessmen do not set prices in a vacuum. Their power to raise prices is limited by market forces.

The tendency for published prices to advance during periods of recovery and then to show little or no change during periods of recession has caused concern and fortified the conviction that price inflation is inevitable. This pattern has been attributed in part to wage rigidity in recessions. Such a step-like pattern can only yield an ever higher level over time. The pattern is shown by the changes in industrial wholesale prices since 1953.

During the 1953-54 recession, the index remained about unchanged.

During the 1954-57 recovery, the index advanced from 114 to 126, or by about 10 per cent.

During the 1957-58 recession, the index declined only fractionally.

During the first year of recovery, a rise of about two per cent took place.

However, since April 1959 the index has shown only minor fluctuations and in October 1960 was at the same level as 17 months earlier. Thus, the previous step-like pattern has been broken. As a result, there is now some question as to the inevitabiliy of step-like changes. Moreover, the postwar pattern was not dissociated from the wage inflation. To the extent that wage inflation is moderated, the support it provided for the earlier type of price pattern also is weakened.

The result of pricing is reflected in the profit margin before taxes. Since 1947, the profit ratio has declined.

The trends in profits indicate that prices have not been set without regard to market forces.

Finally, Gottfried Haberler of Harvard University has pointed out:

". . . the existence of monopolies or oligopolies does not lead to continuing pressure on prices. I find it difficult to believe that anybody would seriously want to argue that, unless the government steps in and stops the process, there is a tendency for mark-ups to be continuously increased or of 'administered prices' to be continuously raised."

He adds:

"It is perfectly natural, on the other hand, that strong unions should try to force large wage increases every year or every other year and try to push continuously beyond the level set by the general increase in output per man-hour, especially in industries where productivity rises faster than elsewhere."

This is a succinct statement of the dynamics of wages and prices. In some instances it is possible to raise prices under the right conditions when a company's costs increase or demand is high. But this is significantly different from raising prices continuously because of a desire for higher profits.

In light of this analysis, price "administration" will play an unimportant and possibly nonexistent role in determining the general price level in the 1960's.

Research and development

There has been explosive expansion in spending for research and development in recent years. Currently, the total is at the annual rate of about $10 billion. In part, research and development results in new products and new processes and in reducing the costs of producing existing products. In the latter instances, the expenditure is not incurred unless cost savings are anticipated.

All signs point to a further expansion of these activities. To the extent that research and development are concerned with methods of reducing costs, they will provide a small counterinflationary force.

Research and development also have a direct influence on prices through the discovery of substi-

tute products. The pressures created as a result of the development of synthetic fibers and finding new uses for aluminum provide interesting illustrations. Against these pressures for lower prices must be offset the increases in costs as research and development expenditures rise. Such expenditures may contribute to some rigidity of costs during periods of recession. However, the outlook is for further increases in research and development expenditures, with accompanying downward pressures on prices of many products.

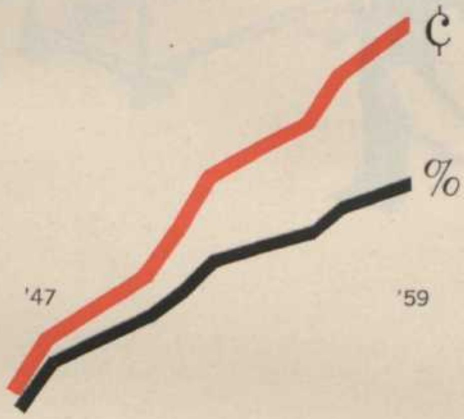
Intensified competition

Domestic and foreign competition have intensified significantly in the past few years. Domestically, capacity has expanded enormously as a result of the $405.5 billion invested in new plant and equipment since 1946. According to Federal Reserve estimates, physical capacity to produce major materials increased by 43 per cent from 1950 to 1958.

The net effect of these developments has been to create ample capacity in our economy—possibly excess capacity in some industries. The possible effects of excess capacity are illustrated by the continuous price weakness of gasoline and other petroleum products in the past two years.

Also important is the sharp expansion in foreign competition. Other countries, *(continued on page 87)*

Prices will be stabilized in the 1960's by:

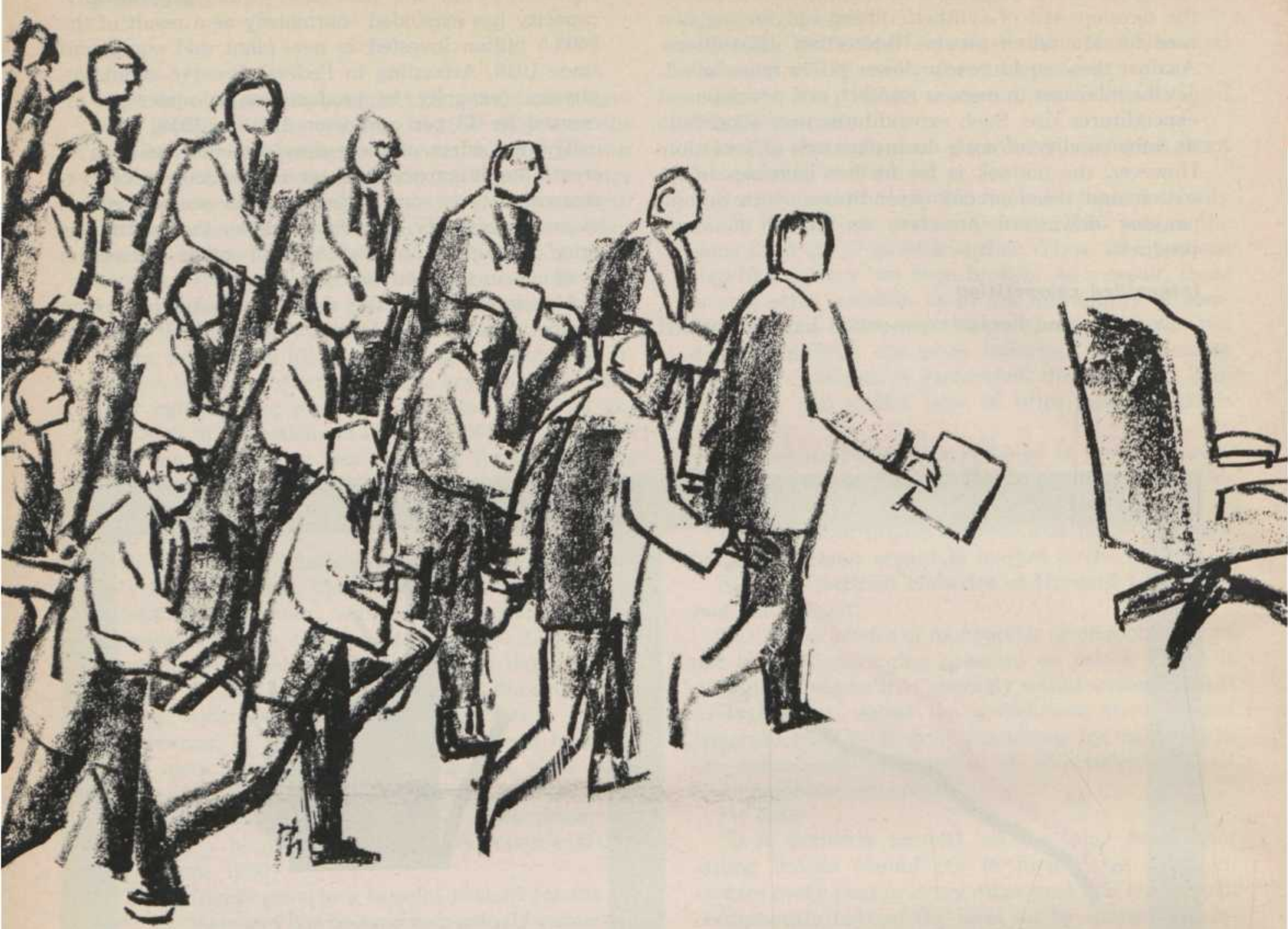


Decline of pay increases as a percentage of wages

Greatly increased foreign and domestic competition

Substitute products from research and development

HOWEVER, government policies could bring renewed inflation



NEW PRESIDENT'S

Need for quick assumption of authority is imperative

MUCH OF THE NEW President's success in office will depend on decisions he makes before Inauguration Day. How well he makes these decisions could determine the safety and welfare of us all.

In the time between now and January 20, the new chief executive must confer with hundreds of people, pick at least 100—or better yet 200 or 300—men and women for his top executive team, study the crucial issues, and plan in detail his first moves from the White House. In addition to the pressure of time, the cross-pressures for commitments on appointments and future policies will be tremendous.

Techniques for making this shift with as little disturbance as possible are new, sketchy at best, and in the past have been improvised by agreement between the incoming and outgoing Presidents.

Not until world events brought the need for haste and continuity were any arrangements made to simplify the change in heads of the United States government.

When Inauguration was not until March 4, the President-elect had 16 weeks to prepare. It was routine for him to take a month's vacation after the election and then go into a long series of conferences about his future Cabinet and program. Sometimes he continued to hold his previous job. Woodrow Wilson in 1913, for example, remained governor of New Jersey, fighting through a tough legislative session, until only three days before he was sworn in as President.

In those days the Cabinet was not announced and often not even settled until just before Inauguration. Since the pace of governmental activity was leisurely, executive appointees could learn on the job. This habit of last-minute Cabinet decisions persisted as late as 1933, when Franklin D. Roosevelt took over from Herbert Hoover, although

FIRST JOB

in some respects FDR responded to the depression emergency with more active forward planning than any previous President-elect.

By 1952, when Dwight D. Eisenhower was elected, the need for quick action was imperative. The Twentieth Amendment to the Constitution, passed in FDR's first term, had moved Inauguration Day up to Jan. 20.

The events of the New Deal, World War II, the cold war, and Korea had expanded the government and made the consequences of fumbling too serious to be risked.

President Eisenhower's method

General Eisenhower got started on the morning after election by putting his staff to work sifting Cabinet possibilities and laying plans for an attack on the federal budget and the Korean war economic controls, while he slipped off for a few days of needed rest at Augusta. In mid-November he returned to full-time activity, beginning with a meeting with President Truman at the White House. By the end of November General Eisenhower had announced his Cabinet and departed for Korea.

The men he had chosen began looking for their own top aides, conferring with officials of the Truman Administration, and studying ponderous books of briefing data prepared for them by the federal departments. The Eisenhower team was complete and well enough organized by mid-January to hold full-dress Cabinet meetings at the "shadow White House" in the Hotel Commodore in New York. Even so, postinaugural events revealed many soft spots in the Eisenhower planning.

As we enter the transition of 1960-61, the tension and the stakes are even higher than in 1952-53. Dynamic action has been promised at home. Explosive situations in Berlin, Cuba, and Africa, world powers armed with H-bombs and intercontinental missiles, and, in Khrushchev, an adversary specializing in the unpredictable—these conditions *(continued on page 108)*

This article is based on extensive research by the author, Laurin L. Henry, in preparation for a book, "Presidential Transitions," which will be published this month by The Brookings Institution, Washington, D. C. A political scientist, Mr. Henry is currently a member of the Brookings staff.

NATO
FACES CRUCIAL TEST

Western alliance needs this new strategy to avoid collapse under communist pressure

THE NORTH ATLANTIC Treaty Organization, protecting 550 million people in the free world, is now being downgraded by doubts about its ability to perform its dual task:

▶ To deter and defeat any Soviet military moves in Europe.

▶ To thwart communist diplomacy based upon military blackmail.

This raises problems for the United States and the free world that will not be solved by diplomats and military men alone.

The NATO crisis does not arise from lack of material power, or brain power, but from a lack of national will power. Part of the present trouble grows from forgetfulness about what NATO is and what it was created to do.

Why a NATO?

The NATO alliance is more than a compact among 15 sovereign states (the United States, United Kingdom, Canada, France, West Germany, Italy, Belgium, The Netherlands, Luxembourg, Denmark, Iceland, Norway, Portugal, Greece, Turkey) pledged to the principle that an attack upon one is an attack upon all.

NATO is also the chief obstacle to the basic goal of Soviet imperialism—the annexation of what is now Free Europe. For 40 years, the acquisition of Free Europe has been the central objective of Soviet expansion.

Soviet actions in Africa, the Middle East and Asia are vast flanking maneuvers to deprive Free Europe of markets and raw materials. The aim is to engender economic decline which, with social unrest, political instability and military impotence, provides the prerequisites for Russian domination.

Mr. Khrushchev's interest in the Congo, for example, reflects his belief that the road to Brussels leads through Leopoldville.

The Soviet preoccupation with Free Europe can be readily understood.

If Free Europe's 340 million people were added to the 310 million in the Soviet orbit, the total would be 650 million, or 12 per cent more than that of Red China.

If Free Europe's gross national product of some $315 billion were combined with the $290 billion gross national product of the Soviet Union and its

Free Europe's markets and sources of raw materials are threatened by vast Soviet flanking maneuvers around the NATO wall.

satellites, the total would be $605 billion, or around 20 per cent more than that of the United States.

If Free Europe's farms, factories, fisheries, mines, mills, science and skills were fused with those of the Soviet alignment, the USSR would command the largest concentration of productive power in all history. The Soviet Union could dictate the terms of world commerce.

The Middle East and Africa, where such ancient nations as Egypt, and such new nations as Ghana, are already being drawn toward the Soviet, would be promptly converted into Russian provinces by economic suction.

The new Soviet dynasty would then exert political control over land masses of 24 million square miles, an area more than six times that of the United States.

The Soviet military position would be impregnable. From ports and shipyards in the Clyde, and at Antwerp, Naples and Zanzibar, Soviet vessels would dominate the sea lanes of the North and South Atlantic and the Indian Ocean, unlock the Baltic and turn the Mediterranean into a Russian lake. Soviet missiles on launch pads from Magnitogorsk to Lisbon, from Reykjavik to Capetown, would serve to remind the rest of mankind that this ruler has a long arm. Soviet control of Europe would, from the start, compel us either to, 1, transform our society into an armed camp; 2, make such continuing concessions to Soviet demands that we would, in effect, become a Soviet domain; or, 3, refuse appeasement and accept annihilation.

As a bulwark against such contingencies, NATO links the defenses of Free Europe with those of North America in a coalition to prevent wars as well as fight them.

In confronting the armed might of the Soviet Union, NATO consists of a shield and a sword. The shield is composed of land and tactical air forces and some naval forces from 14 nations (Iceland contributes only real estate), potentially supplemented by eight additional naval forces, from the tip of Norway to the eastern rim of Turkey.

The sword is composed of the H-bombs carried by the B-47's and B-52's of the U. S. Strategic Air Command (SAC), together with the RAF Bomber Command, and U. S. Navy squadrons. SAC also has charge of such missiles as the ICBM Atlas in America and shares with the RAF the *(continued on page 48)*

WHILE POLITICIANS PUSH SOCIALIZED MEDICINE . . .

SENIOR CITIZENS PAY OWN WAY

"IF THE GOVERNMENT is to tax everyone to provide a little medical care for the relatively few indigent aged, why should it not provide cradle-to-grave security for everyone? We don't feel secure if the social security program is to be perpetually liberalized."

So wrote a retired Nebraskan to his congressman.

A Florida man sent off this appeal to one of his senators:

"As a young man . . . I do not feel the federal government has any right to take money from me and give it to the older generation. I want to save this money for when I am their age and don't want to ask anyone for any help for anything."

These are examples of public concern which have been drowned out by the uproar over how government should help the aged pay their medical bills.

This top political issue erupted and spread with a force that only such universal emotions as these can summon: sympathy for the infirm, respect for the elderly, fear of advancing age. The issue was fueled by well publicized descriptions of the aged as a growing portion of our population, but with meager income and a high rate of illness.

Organized labor, which chose medical care through the social security system as a leading legislative goal, and the senior citizens lobbies representing a potential voting strength of 16 million persons 65 or older, marshaled statistics and sympathy for political advantage.

Issue will be hot in '61

The momentum created in Congress and during the election campaign this year will probably be accelerated when the White House Conference on the Aging assembles in Washington next January to study all the problems of the aging.

Pleas in opposition or for more study were trampled as Congress rushed to provide immediate aid for older people. A multimillion dollar grant-to-states program—nobody knows exactly how much it will cost—was enacted this year to give the needy aged some help with their medical bills.

Much more liberal proposals for assistance to this group will continue to be pushed even as new facts mount up in the controversy over the financial and physical shape of the nation's aged. Pressure for more legislation will intensify if the individual states delay in implementing the new law.

New research, however, is putting the health problems of the aged in proper perspective. Some recent findings, along with arguments that were submerged in the political debate, are giving straight answers to these major socioeconomic questions:

▶ 1. Do the U. S. aged really need more government-paid medical help?

▶ 2. Are there dangers in making medical care a part of our Social Security system?

A compromise law enacted this year provides for a two-part program to help elderly people with health expenses they can't pay themselves. The first part provides more money for medical costs of old people receiving public assistance. This would be an addition to existing state-run Old Age Assistance activities.

The second part involves a new system of federal grants available to any states that want to take part. States will put up part of the cost of the medical program they set up, depending on a formula that gives more federal funds to states with low per-capita income.

Each state will decide how deeply it wants to get into medical care for needy aged and will set up its own measurements as to which citizens are needy. Each state that wants federal money for this new program will have to submit a plan to the federal government to meet the general requirements of the law. The separate states can spend as much for their residents as they see fit; but the federal government will share the cost of doctors' and hospital bills, nursing services, physical therapy, dental services, laboratory and X-ray costs, medicines, eyeglasses and certain other medical or remedial care recognized by a state.

The program could cost several hundred million dollars, depending on how far the states decide to go and what standards they set for those who qualify for help. The 2.4 million elderly presently on relief would benefit from the newly increased contribution—raising the federal maximum by an average of about $5 a month per individual. Another potential 10 million aged persons not eligible for public assistance, but who might meet heavy medical costs from time to time, could be eligible for help under the new program of grants.

In spite of this broad new law

aimed at helping the aged pay their medical bills, many politicians are unsatisfied. They consider the new law a bad compromise. Also, some states are hesitant about adopting the program.

The medical care approach most liberals want to see adopted was embodied in a bill sponsored by Rep. Aime Forand, Democrat of Rhode Island. The Forand idea will be introduced in Congress again in January though Mr. Forand is retiring from Congress. The proposal would give those entitled to Old Age and Survivors Insurance (social security) extensive hospitalization, nursing home care and surgical services. Payments would be made through agreements between the federal government and those providing the medical services. The money would come from higher social security taxes.

While politicians continue to view the health of the aged with alarm —and some elderly people are certainly ill—research in widely scattered sections is turning up surprisingly revealing information on how old people are meeting this problem.

What the facts show

In Vermont, the state with the highest percentage of residents 65 and older, the state medical society decided earlier this year to find out just how older people pay their medical bills. Vermont doctors reported on 5,172 patients aged from 65 to 106.

The survey found that only 13 per cent were bed-bound or chair-bound, that 66 per cent live with spouse or relatives as part of a family group, that 20 per cent are still working, that 50 per cent are on social security, 16 per cent receive Old Age Assistance and 13 per cent get pensions from retirement plans.

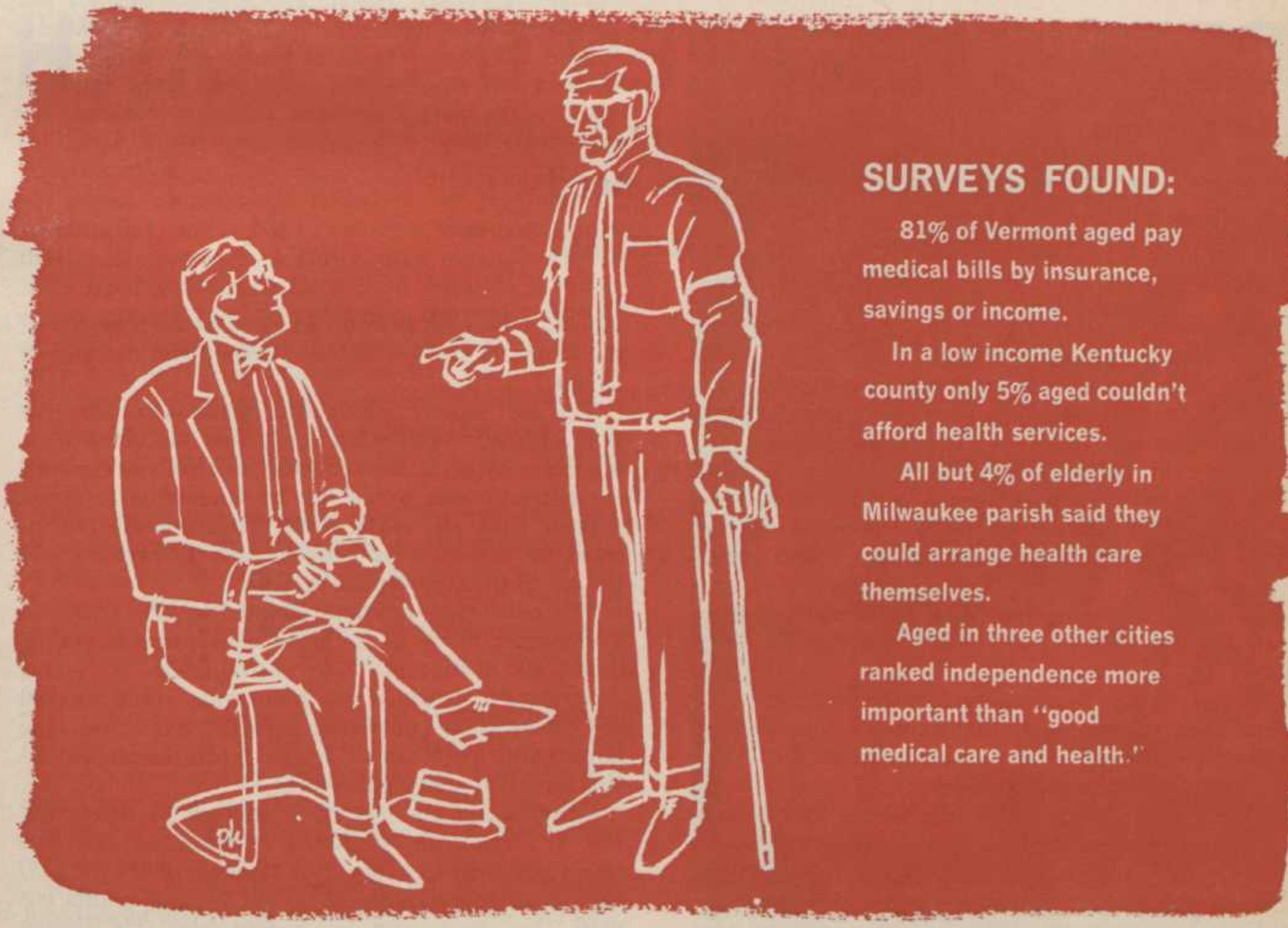
Some 52 per cent of these patients have some sort of prepaid medical plan. Another 29 per cent said they pay medical bills from savings or income. The patient's family planned to pick up the bill in another 12 per cent of the cases. For the few remaining patients, the city or town welfare agency paid the bill or the doctor made no charge. The medical society concluded that its survey results "indicate a substantial measure of financial independence among elderly Vermonters for their own professional medical care requirements."

University of Kentucky researchers, in a study of rural Casey County, Ky., found that even in this depressed farming area relatively few old persons had serious medical-financial troubles.

Of the 627 men and women interviewed, four out of five of the men and two out of three of the women considered themselves retired or unable to work. The average annual money income reported by the men was only $815 and by the women only $715.

The elderly men and women were asked whether there were

(continued on page 84)



San Francisco demonstrations against House Un-American Activities Committee included many students

REDS THREATEN U. S. YOUTH

New communist plot points up need to develop knowledge of Americanism

BUSINESSMEN are taking an active part in the fight against a new communist threat.

The reds' target: Control of young Americans' minds. Our best defense: More understanding and appreciation of the democratic way of life.

Those who picture the Communist Party, U. S. A., as a defanged rattlesnake—noisy but harmless—have been jolted in recent months by explosive evidence that young people here are not immune to red agents' exploitation.

Defection of two young National Security Agency code experts to Russia shocked the nation last summer.

Earlier, in San Francisco, a handful of known U. S. communist leaders were able to incite thousands of college students to mob violence against the House Un-American Activities Committee.

"We must not be beguiled into feeling that because the communist infiltrators among our youth are a minority, their threat is insignificant," warns Rep. Francis E. Walter, chairman of the Un-American Activities Committee. "Time and again, our committee has pointed out that the strength of the communist movement is in direct ratio to the intensity of the efforts of the few who are trained and disciplined agents."

The plot against young Americans is as subtle as it is sinister. Communists know that the overwhelming majority of U. S. teen-agers and college students are patriotic and would not be vulnerable to direct appeals from the party itself. They concentrate instead on undermining religion, love of country and the competitive enterprise system.

The resolution on youth adopted by the American Communist Party at its latest convention leaves no doubt about its aim. "Our participation in [young Americans'] struggles will help unite youth against the enemy of all—monopoly capital," it declares. The implication for business, whose future employes' attitudes are at stake, is obvious.

Communists claimed their success in disrupting the Un-American Activities Committee hearings was a significant victory. But Director of the Federal Bureau of Investigation J. Edgar Hoover points out that, "Americans, too, can benefit from this display of communist strategy and tactics in operation. In

fact, it is impossible to stand idly by in the face of the challenge that this communist success represents."

Americans are not standing idly by. Without fanfare, business, government, religion, education, labor, and individuals are meeting the communist threat with surprisingly widespread efforts to teach youngsters American principles.

If your organization is not yet active in this field, you may find useful tips in the information on successful programs gathered by NATION'S BUSINESS. Leaders in these efforts also answer the question: What else needs to be done?

"Awareness of the danger is the first requisite," says Mr. Hoover, "First, know your enemy."

Evidence of danger

Let's look at the evidence on communists' attempts to subvert American youth—their successes and failures.

Until the Korean war, the U. S. was confident that young people generally were so firmly rooted in our principles that communist dogma was no serious threat. But suddenly the nation was shocked to hear American soldiers broadcasting propaganda for the Chinese communists who had captured them. Other prisoners confessed to using germ warfare, still others wrote articles praising communism. Letters home denounced the war.

A five-year study by the Army showed that almost one third of the prisoners, mostly young soldiers, collaborated to some degree with their communist captors. Twenty-one chose to remain with the enemy, although some have come home since. The inescapable conclusion is that somehow a great many of the soldiers had not been equipped to resist communist indoctrination.

Chinese communists, skilled in the technique of re-education, were able to convince these Americans that their system was better than ours. To obtain their results, the reds often used facts—U. S. newspaper accounts of violent strikes in the past, misdeeds of early American industrialists—which the prisoners were unable to put into perspective because many American youngsters had never even heard of them.

The Army concluded the military had been deficient in preparing the men for the brainwashing threat.

But our homes, schools, churches and partriotic organizations must also assume greater responsibility in educating Americans in the principles which underlie our way of life, the report stressed. In many cases, the prisoners were at a disadvantage because they knew little about the ideals and traditions of our country.

A common communist trick is to twist idealistic concepts to snare young people. Many U. S. college students are sincerely dedicated to the cause of peace; reds dupe some into signing peace petitions, urging the weakening of western defenses which communism wants.

The communist-sponsored World Youth Festival lured about 200 young Americans to Vienna last year. But the U. S. delegation turned out to be a surprise. The majority proved to be patriotic, noncommunist youths who had gone to present the American point of view. They seized control of the delegation and harassed the reds throughout the festival, although they were roughed up by Austrian communists when they displayed placards urging "Freedom for Hungary and Tibet."

Little such patriotism was in evidence, however, at the rioting against the Un-American Activities Committee. As a result of their detailed planning, as documented by the FBI, reds were in almost complete control. Here's how they did it:

Two weeks before the committee hearings, communist leaders began an intensive campaign to fill the scene with demonstrators. Students were recruited from colleges in and around San Francisco through meetings, newspaper and radio advertisements, posters and leaflets. Funds came from communist organizations.

When the hearings opened, some communists remained outside, acting as cheerleaders to rouse the huge crowd, while reds called as witnesses created havoc in the courtroom. Some became so violent it was necessary to have them forcibly removed. This was exactly what they wanted to evoke sympathy from the screaming students. *(continued on page 70)*

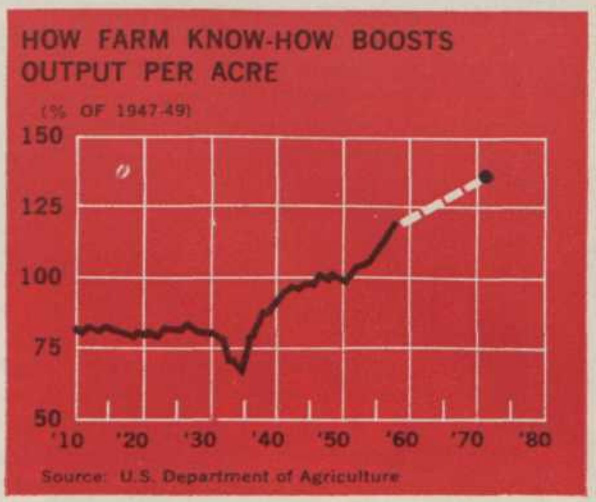
American delegates to Vienna World Youth Festival surprised its communist sponsors when a majority disputed red propaganda

UPI PHOTO

An authoritative report by the staff of the

HOW'S BUSINESS?

today's outlook



AGRICULTURE

American farmers have the productive capacity to meet the nation's food and fiber needs as projected for 1975 and to provide, in addition, a relatively high level of exports at prices comparable to those received in 1951-53, says a new report by the U. S. Department of Agriculture.

The Department concludes that further application of presently known farm technology, and a 10 per cent increase in livestock feeding efficiency, would expand farm output 35 per cent over 1956-58.

Assuming a population of 230 million by 1975, this would also provide a moderate increase in per capita supplies.

Not more than 20 million additional acres would be needed, which is less than the amount of productive land that would likely be developed from irrigation, drainage and other types of conversion. Moreover, new technology resulting from research could foster even higher yields.

Such developments would portend continuing overcapacity and excess stocks. Hence the report emphasizes the need for continuing adjustments in agriculture and between it and the nonfarm sector.

CONSTRUCTION

Construction and construction-finance businesses will be vitally affected by the results of the elections.

The men who win executive and legislative posts in Washington will play major roles in determining whether trends toward more and bigger federal operations in construction are to be continued.

During the 1950's, old federal programs grew and new ones were set up.

For example, at the beginning of 1950 the FHA had less than $10 billion of insurance in force. Ten years later it had almost $31 billion; the Federal National Mortgage Association held a combined portfolio of about $828 million at the beginning of 1950, and about $5.5 billion at the close of the decade.

The newer programs include urban renewal and college housing. These programs now carry authorizations of $2 billion and $1.6 billion respectively.

The federal role in construction affairs needs serious consideration.

CREDIT & FINANCE

Pressures on interest rates seem likely to continue—for several reasons.

Late summer bank reserves showed some increase. This should mean an easing up of loan money during the fall.

With businesses continuing their low-inventory policies, the need for inventory expansion funds seems likely to remain below the seasonal level, although this type of borrowing will increase somewhat.

The fact that mortgage funds are now available does not mean that people will snap them up. Lower interest rates in other fields eventually may lead to lower mortgage rates, although this field responds slowly to such pressures.

Consumer credit also is tapering off. Luxuries no longer become necessities as soon as customers accumulate the down payment. Although people have money, they are hanging onto it. Meanwhile, a new estimate by the Bureau of the Budget and some economists places the corporate profits figure close to $47 million, about the same as 1959, rather than the $53 million previously estimated.

DISTRIBUTION

The retail outlook for the final quarter of 1960 is not rosy. Yet, opportunity is there for businessmen who control costs and tap better profit-making areas.

Merchants view the year so far with mixed feelings. Business activity, while remaining high (about two per cent above 1959's mark), has fallen short of expectations.

Dollar sales volume to date is ahead of 1959 by three to six per cent for most retail trade groups. Only the durable goods groups are below 1959 levels—and just barely.

Yet, retailers are uneasy about the slowdown in consumer installment credit expansion, the rate of personal income gain, and consumer buying enthusiam.

Economists ascribe a major part of the slowdown to a rise in costs of personal services, local taxes, personal savings, and consumer debt repayment.

Christmas buying, however, is

Chamber of Commerce of the United States

expected to put color in the year's total trade picture.

FOREIGN TRADE

One of the more controversial issues facing the Eighty-seventh Congress will be the "Trade Adjustment Measures" which would provide financial aid and other assistance to industries or communities injured by import competition.

Such legislation was championed in the Eighty-sixth Congress by Sen. Jacob K. Javits, Republican of New York.

Noting the scarcity of recent data on the dislocation caused by reduced tariffs, Sen. Vance Hartke, Democrat of Indiana, proposed setting up a Senate Committee on Trade Adjustment Problems. He plans to reintroduce this measure in the new Congress.

Both party platforms include references to the problem. The Democrats propose to "help industries and communities affected by foreign trade through trade adjustment measures, such as direct loans, tax incentives, defense contracts priority, and retraining assistance."

The Republicans suggest a need to "discharge government responsibility for those activities which the private sector cannot do or cannot do so well—such as constructive federal-local action to aid areas of chronic high unemployment."

GOVERNMENT SPENDING

The chance for a federal surplus this fiscal year is good, although it will not reach the $4.2 billion the President predicted in his January budget message. The "1961 Federal Budget Midyear Review" anticipates a $1.1 billion surplus. The combination of congressional passage of unbudgeted spending bills and an estimated fall-off in revenues has made it necessary to revise earlier estimates.

When Congress returns there will still be time to pass legislation affecting the 1961 budget. However, increased defense and space spending—the areas most consistently discussed—takes considerable time to be set in motion. These would have an impact on future budgets, but would probably not eliminate the 1961 surplus.

As to fiscal 1962 and subsequent budgets, the actions taken by the past Congress will have great effect. Actions requiring a $2 billion increase in fiscal 1961 spending carry with them a multiyear cost of more than $9 billion.

LABOR

A major decision now facing the National Labor Relations Board is whether the agency shop is legal in a state that has a right-to-work law.

The right-to-work laws enacted by 19 states make it illegal for employment to be conditioned on union membership, but do not prohibit voluntary membership in a union. An agency shop results when the union contract requires nonunion employes to pay the union a sum usually equal to union dues and fees, in order to hold employment.

The case before the NLRB is the General Motors Corporation's refusal to discuss an Auto Worker Union's proposed agency shop arrangement for the company's plants in Indiana, which has a right-to-work law. The company asserts that the UAW request violates the Taft-Hartley prohibition of company interference and discrimination with the union activities of its employes.

The Auto Workers point to previous decisions of the Board which found such agreements valid.

Regardless of the Board's conclusion, this issue will eventually reach the Supreme Court.

NATURAL RESOURCES

Costs of growing timber to meet expanding needs for forest products would increase considerably if proposals for government control over timber production on private lands were put into effect.

Before the paper and pulp industry last February in New York, the Chief of the U. S. Forest Service stated that measures essential to good management of small forest ownerships could be bought, ordered, or persuaded and that persuasion was not doing the job.

In September, at the Fifth World Forestry Congress in Seattle, a Forest Service official said that government subsidies to small woodland owners with strict guarantees of performance must be evolved.

Timber men say the effect of such programs on free-market interchange can only disrupt prices and increase production costs.

TAXATION

Indications are that Chairman Wilbur Mills of the tax-writing House Ways and Means Committee may have changed his mind regarding methods of tax reform.

In the past, individual tax questions have been put aside on the grounds a broad general study of possible revision was needed. However, certain groups may now find running room in their requests for piecemeal tax legislation in the Eighty-seventh Congress.

In the closing days of the Eighty-sixth Congress, a bill allowing the creation of real estate investment trusts was passed. Its purpose was to enable the small investor to join a trust group and, in essence, get into ownership of larger parcels of real estate. The advantage in organizing under the new trust system is freedom from double taxation.

One note of caution is needed: To meet the requirements under the new law, in some jurisdictions, an organization may find itself outside the state laws governing such groups.

TRANSPORTATION

The first session of the Eighty-seventh Congress should be a memorable one for the transportation industry.

Major proposals will converge on Congress from studies now, or soon to be, completed.

The Department of Commerce report on federal transportation policy is already out. It covers most of the problem areas of the industry. It's expected to generate major legislation in several areas. Due for completion in 1961 are several highway studies which promise to raise high priority issues affecting highway construction and financing.

The Interstate Commerce Commission is another traditional source of major legislative proposals. For the 1961 session, its usual offerings can be expected to reflect certain of the conclusions in the Commission's recently published reports—"Gray Area of Transportation Operations," and "Jurisdictional Conflicts and the Coordination of Transportation."

Finally, the Senate and House Interstate and Foreign Commerce Committees will likely produce some significant proposals.

NATO FACES TEST

continued from page 41

responsibility for the IRBM Thor in England.

The functions of the shield are to annul any Soviet attempts to crunch chunks of Europe piecemeal and to beat back any attacks along the European perimeter of the Soviet bloc. It could also act as a trip-wire to invoke the sword's retaliation with bombs and missiles.

There is a third element in NATO strategy. It is the spirit which pervades the entire effort.

At the moment, the NATO shield is more like a sieve. Its sword is the object of skepticism. And its spirit is sagging.

Why NATO's in trouble

To understand NATO's predicament, it has to be put into perspective. On April 9, 1949, the U. S. Senate ratified the North Atlantic Treaty which brought NATO into being. This committed us to go to war in case of attack upon any of our Treaty co-signers.

In 1946, we had demobilized the most magnificent fighting machine ever assembled. In Europe alone we had within seven months reduced our forces from 3.1 million to 391,000 men. The Soviet Union, on the other hand, had kept its forces virtually intact.

While the West's war industries were being converted to peacetime production, those in the USSR were kept going.

Concurrently, the Soviet Union, in 1947-48, was stepping up its program of psychopolitical conquest without war. This took the form of infiltration by national communist parties into popular front governments in Hungary, Bulgaria, Rumania, Poland, Czechoslovakia. Once installed in parliament and cabinet, the communists unleashed campaigns of vilification against all noncommunist parties, traducing their leaders, and murdering them. Such tactics paved the way for new elections in which the communists invariably won a majority in voting overshadowed by the menacing presence of the Red Army. Within a year, Moscow had gained control of governments in Budapest, Sofia, Bucharest, Warsaw, Prague.

In Greece, communist guerrillas were provoking anarchy as a prelude to Soviet take-over. In Turkey, Soviet diplomats were pressing for Russian tenancy in the Dardanelles. In West Berlin there was the blockade.

Intelligence reports showed the odds were about even that Stalin would order a Red Army sweep through Europe.

The only counterweights to the command that would have set the Red Army in motion were: 1, the tremendous human losses and economic attrition undergone by the USSR in World War II; 2, the ability of the U. S. strategic air force to carry out long-range strikes with A-bombs, of which we then had a monopoly.

These proved just enough to permit the Marshall Plan to speed Europe's economic recovery and lay the groundwork for its greatest economic growth; enough for Truman Doctrine military and economic aid to Greece and Turkey to beat back communist raids and cancel diplomatic coercions; enough to allow NATO to establish SHAPE (Supreme Headquarters, Allied Powers in Europe).

West built up quickly

The arms came fast. Between May 1949 and January 1953, 4.3 million tons of artillery, tanks, guns, other matériel, in addition to 505 planes and 83 ships, had arrived as muscle for NATO. By 1954, 15 well equipped divisions were massed along the key sector of the Central European area. These divisions, with their substantial air and naval support, enabled NATO to attain in that year its peak effectiveness in terms of military balance of power with the Soviet bloc. From that high point the descent has been gradual, steady, perilous.

Certainly this cannot be ascribed to NATO's organization. Its management structure is impeccable. Its lines of responsibility and authority are clearly drawn. Its supreme policy-making body, for example, is the North Atlantic Council in Paris. It is composed of a secretary-general and the permanent envoys of ambassadorial rank from the 15 member states.

The foreign, defense, and finance ministers of NATO countries frequently sit in on sessions of the Council, helping it to hammer out major decisions, all of which have to be unanimous. The Council is assisted by an International Secre-

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NATO FACES TEST

continued

tariat, expert in everything from astrophysics to logistics.

The next most important NATO organ is the Military Committee, located in the Pentagon and manned by surrogates for the chiefs of staff of all NATO countries. Upon the workings of the Committee largely depend the military judgments of the NATO governments.

The quality of NATO organization is matched by its personnel. To act as NATO's Supreme Allied Commander in Europe, for example, the U. S. has successively dispatched Generals Dwight D. Eisenhower, Matthew B. Ridgway, Alfred M. Gruenther, all Army, and, currently, Gen. Lauris Norstad of the Air Force. Britain, France, and other NATO affiliates continue to assign persons of correspondingly high stature. From Belgium comes NATO Secretary-General Paul-Henri Spaak, among the dozen great statesmen of our time.

This kind of organization and talent, among other things, has enabled NATO jointly to finance and build some $30 billion worth of military support facilities, such as naval bases and early-warning radar stations. As compared with 15 airfields in 1949, NATO now has 150 suitable fields for jets. To existing civilian communication networks, it has added 9,000 miles of radio-relay circuits, 15,000 miles of land telegraph and telephone lines, 2,000 miles of underwater cables to bring secure simultaneous warnings, alerts, other signals to all NATO command centers. Nearing completion are 5,600 miles of fuel pipelines, crossing four frontiers, linking Atlantic and Mediterranean ports with supply depots.

Conflicting commitments

The difficulties plaguing NATO are in certain respects the result of resounding success, especially in its early years. Even up to the present not an inch of Free Europe's soil has been ceded to the Soviet Union. But this success in barring Free Europe against encroachments has turned Russia toward Asia, the Middle East and Africa.

NATO is an alliance of nations whose concerns and commitments go beyond the geographic boundaries of Free Europe and North America. The United States itself is a member of three other regional defense groupings: the Organization of American States (OAS), Southeast Asia Treaty Organization (SEATO), and ANZUS (Australia, New Zealand, United States).

NATO is subject to all the pulls and strains to be expected from allies with interests that coincide within the NATO framework but may clash outside of it.

At the outset of the Algerian troubles, for example, France declared that its NATO allies should properly intervene on its side. After all, the Algerian terrorism was plotted and armed by Soviet agents. NATO rejected this view.

The U. S., in the United Nations, joined others to condemn and halt the British-French invasion of Egypt over the Suez Canal in 1956.

Since then the machinery for advance consultation within the NATO Council has been vastly improved. A Committee of Political Advisers was set up to assess the impact upon NATO of political developments around the globe. No NATO member submits a diplomatic proposal to the USSR without prior discussion in the Council. This has eliminated many potential sources of friction. But to consult and discuss does not mean to agree. On this point, Viscount Montgomery of Alamein, former Deputy Commander of NATO, is explicit:

"We face a global problem, but our outlook in NATO is not global. The truth is that the United States and its European allies have completely failed to work out a common policy on a global basis, one that links NATO with the world outside NATO."

Other leaders of the West who concur in varying degree contend that, before NATO can fashion a common policy on a global scale, every NATO nation has first to put its own house in order. It has to fuse all elements of foreign policy, the military, the political, the economic, the psychological, into a coherent whole and then harmonize this approach with a similar totality of approach formulated by its NATO partners.

Opponents of this view, however, insist that NATO should remain, in essentials, precisely what it is, a limited defensive coalition with limited objectives. The alternatives, they claim, are too formidable. To develop a common global policy, NATO would have to pool and coordinate all necessary resources and institutions and assume functions so encompassing that it would in fact become an Atlantic Community.

This would mean a considerable loss in liberty of action for individual countries. American tariffs, for example, would have to be eventually approved by a NATO Economic General Staff in accord with a NATO-wide policy of international trade. It would also have to assume the economic aid programs now being separately extended by the U. S. and others.

On this count, the new NATO would encounter special hazards. The underdeveloped areas (except for South America) consist mainly of new states which were once the wards of Britain, France, Belgium, The Netherlands, Portugal and Turkey. Economic aid from such sources, joined in stronger combination, would arouse suspicion of an attempt to reimpose the old economic ascendancy under a new guise.

In the arena of world politics, the new NATO would have to overcome the rise of Free Europe's own spirit of nationalism, sponsored by economic resurgence, the impact of science and technology upon weaponry, and disagreement over the influence exerted by each participant in the NATO decision-making process. The French, for example, are affronted by the privileged position of the United Kingdom in its relations with the U. S.

Moreover, if the new NATO were to be politically viable, it would have to reach out beyond the Atlantic Community to include not only South America, but also Australia, New Zealand, Japan and as many other countries in Asia and Africa as could be persuaded to enter the fold. This would complicate problems of unity.

In theory, then, the formation of a Free World Community, out of a NATO-inspired Atlantic Community as nucleus, might be admirable. It may even prove to be imperative in the years ahead. But not now. The thinking of most NATO leaders, and the temper of most of their peoples, are not yet ready for such a momentous leap. So, at least, the argument runs.

Should NATO be expanded?

This debate whether to extend NATO functions or keep them as they are reflects different views within and between NATO countries as to the nature of the Soviet threat. Necessarily, such confusion over long-term purposes has adverse effects upon short-term military preparations.

The Soviet bloc is spending around 25 per cent of its national income on armaments, or something close to $61.6 billion a year. The NATO countries are spending about $58.4 billion a year, or virtually the

NATO FACES TEST

continued

same as in 1958, the last date for which complete figures are available. The spending is as follows: Belgium, 3.8 per cent of national income; Canada, 6.2; Denmark, 3.2; France, 7; West Germany, 3.2; Greece, 6.4; The Netherlands, 4.8; Italy, 4.3; Luxembourg, 2.1; Norway, 3.8; Portugal, 4.7; Turkey, 6.5; United Kingdom, 7.8; U. S., 11.2.

Each member claims it cannot afford more even though in the six nations comprising the European Economic Community, for example, industrial output was 52 per cent higher in 1959 than in 1953. Over the same period, defense outlays declined, in constant dollars, from about $48 to $40 per person. Furthermore, each NATO member asserts that it should reserve the bulk of its armed forces in the less expensive state of semireadiness at home, as well as for contingencies arising beyond NATO jurisdiction.

Most allies continue to assign only a portion of their armed forces to NATO and to earmark portions of the remainder. The entire Atlantic naval force of NATO is merely earmarked; no ships are fully assigned to operate under its Atlantic sea-arm, SACLANT, in peacetime. On the other hand, NATO land and air forces and some ships are assigned to General Norstad, Allied Command Europe, but in inadequate quantity.

General Norstad, for example, for years has been pleading for 30 divisions, plus ten reserves, as the minimum required to stop a Soviet assault against the pivotal Central European area. Yet he has to make do with 22⅓ divisions—five American, three British, four French (two absent), two Belgian, two Dutch, eight German, one Canadian brigade. The Norwegian and Danish divisions, one each, are stationed along the northern flank of the NATO defense line, while two Greek and 12 Turkish divisions guard its southern flank.

Nevertheless, in East Germany alone, there are 20 Soviet divisions with the most up-to-date equipment, plus 10 paratroop divisions close at hand, and 5,000 planes of the Soviet tactical air force, the most advanced units of Soviet air power. In Western Russia are deployed another 50 fully equipped divisions which could be brought up to the line in the same time it would take to bring up 25 of NATO's earmarked divisions.

In 1954, NATO decided to com-

pensate for its comparative deficiency in manpower by providing its land forces with tactical nuclear weapons such as ground-to-ground missiles, atomic artillery, and planes with small H-bombs in their racks. But the Soviet Union followed suit. Its land forces are well armed with tactical nuclear weapons, as well as with conventional weapons.

So the basic imbalance remains—an imbalance all the more startling when it is remembered that the Soviet bloc has 58.4 million males fit for military service while the NATO countries have 85.4 million.

Few facts testify more dramatically to the West's tendency to forget that the closer the world comes toward a nuclear stalemate, the more likely the outbreak of conventional wars.

NATO has not only been evading the need for readying more military manpower. It has not been evolving to meet the changes in Soviet military posture wrought by the aerospace revolution, especially over the past four years.

NATO was formed when the Red Army represented Soviet military strength. Since Sputnik I, the importance of the Red Army, while still immense, has been shared with Soviet advances in two other fields: 1, manufacture of H-bombs, along with their carriers of the Soviet strategic air force; 2, quantity production of ballistic missiles.

This array of nuclear weapons is altering a major premise of NATO strategy—that in case of a Red Army attack upon Free Europe, or any part of it, SAC would respond in the form of massive retaliation upon the USSR. It was the SAC capacity for devastation which held the Red Army in check for years.

U. S. turning to isolationism?

Now some European military analysts say they detect a new military isolationism in U. S. military planning, a "Fortress America" psychology. They claim that the SAC umbrella which until recently safeguarded Free Europe, may within the next 18 or 24 months, or even earlier, become a deterrent that fails to deter. Their reasoning goes like this: Suppose the Soviet army in East Germany captures West Berlin in a surprise thrust, and then pauses to confront NATO with an accomplished fact. Will an American President then order SAC to hurl H-bombs and missiles upon the USSR, knowing that with this decision he invites corresponding destruction of the United States?

The Europeans do not believe

NATO FACES TEST

continued

that he would. They do not believe that, to save national honor, he would choose national suicide. They do not find it credible that anybody would thus risk extinction to defend somebody else's country.

This contention is vigorously denied by the U. S.

These doubts and anxieties are eroding confidence in the NATO alliance in two ways.

1. Underlying trends toward nationalism are coming out into the open. Last month, the British Labor Party Conference voted to have Britain discard all nuclear arms whether others did so or not; to remove missile bases from Britain; and to remove Britain from NATO.

Last month, too, the cheers greeting Premier Charles de Gaulle's insistence, in a series of public speeches, that the defense of France was primarily its own responsibility, rather than that of NATO, further dramatized the decline in popular support on which NATO could previously count.

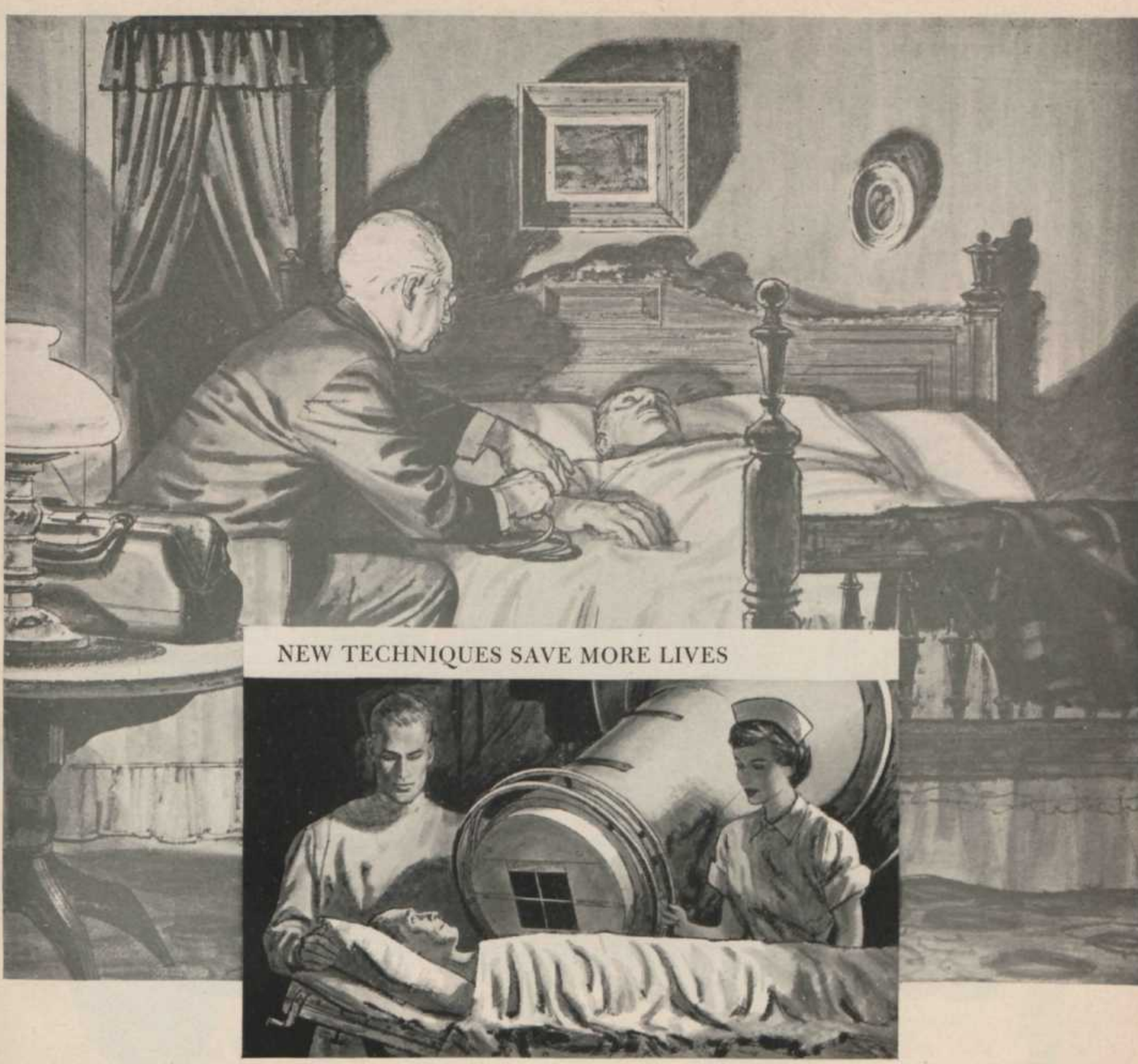
2. Various members of NATO are being motivated to build their own nuclear capabilities, as Britain has done to some extent, as France is trying to do on a smaller scale, as West Germany, Holland, Norway, and Denmark are all capable of doing in various measure.

Since Europeans are not convinced that they can any longer rely positively on the U. S., in the event of Soviet attack, they feel that their only chance to survive is to be able to inflict enough damage on Russia to make the cost of conquest too high.

The U. S., as leader of NATO, is up against some perplexing problems. If the individual countries of Free Europe—each on its own—go all-out in efforts to produce their own nuclear deterrent, in the form of missiles, the drain on their economies will be excessive. They will have to start almost from scratch in design, fabrication, testing. This would take at least five years—the very five years (1960-65) when the question of Soviet plenitude in missiles will dominate all of the West's strategic calculations. Besides, for each NATO member to possess its own arsenal of missiles, with no NATO power of veto, would put too many independent fingers on too many triggers.

One solution is to create a new Strategic Missile Command, jointly

(continued on page 59)



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NATO FACES TEST

continued

controlled and financed by the NATO partners. This central NATO agency, which would comply with the most rigorous rules of mutuality in direction and decision, could be supplied with such midrange missiles as the Army's Pershing and the Navy's Polaris, adapted to land use. Both of these could be readily produced in quantity.

They could be placed in mountain clefts, or on sites hardened by gigantic sheaths of steel and concrete, or underground, or even mounted on barges, ships, or railway flat cars, thus utilizing all the terrain and waterways of NATO territory in Free Europe. Within two years, there could be enough of these missiles, sufficiently dispersed, protected and mobile to compound the enemy's targeting problem to the point of complete frustration. The Soviet ambition is to acquire Free Europe, more or less intact, not as rubble.

To be sure, the MRBM missiles of the Pershing-Polaris type carry warheads one-quarter or one-eighth the size of the ICBM variety and could not be counted on by themselves to wipe out Soviet air bases and launching pads and other installations, especially if hardened. But they could devastate cities, the centers of government and industry, and thus assure the USSR that Free Europe itself has a retaliatory power that would make the price of Soviet aggression disproportionate to any gains.

This kind of NATO deterrent system, with its sharing of rights and responsibilities, could do much to restore the cohesion of the alliance. A NATO Strategic Missile Command would demonstrate that the partners trust each other, and are determined to stand by each other.

Just as certainly, there are risks in such a NATO-wide deterrent system. There would always be the temptation to use nuclear weapons in pursuit of a nationalistic, non-NATO, aim.

Whether the risks outweigh the advantages is one of the fateful choices imposed upon the NATO powers by an adversary who is constantly updating his own military strategy and tactics.

Inside NATO's own operating organization, many of its men of vision and competence know that unless such choices are made NATO could easily drift into disintegration.

—HERBERT HARRIS

Where business will get **next push**

Experienced forecaster tells what's needed for healthy long-term growth of U.S. economy

ROTKIN—PFI

A Nation's Business interview with **WILLIAM F. BUTLER** Vice President Chase Manhattan Bank of New York

(In background, new Chase Building)

FASTER ECONOMIC GROWTH in the years ahead is possible—and probable.

But certain things need to be done before faster growth can be assured.

Business needs flexibility to adapt to changing conditions, for example. To gain this flexibility, we need to remove roadblocks to faster economic growth. These include repressive taxation, tariffs, restrictive business regulation, featherbedding practices, and inefficient business management.

These are the opinions of William F. Butler, vice president of the Chase Manhattan Bank of New York and noted economic analyst.

In this exclusive interview with an editor of NATION'S BUSINESS, Mr. Butler explains why the nation must take action to encourage growth and stop doing, or at least moderate, the things that experience shows retard our rate of economic gain.

Mr. Butler, how soon do you think a healthy business expansion will be resumed?

We should begin to see improvement by the final half of 1961.

Are we in a recession at this time?

Business is not moving ahead as it should. This is definitely an interruption in the economic growth pattern.

But it should be understood that our economy does not move ahead along a steady, smooth, upward path. A free economy is dominated by changes. We have to expect periods of good business followed by periods of recession or adjustment.

While a slow-up is now in progress, I think it will prove to be a moderate adjustment and that we will soon move ahead again. The postwar business-cycle pattern has been one of a year of downturn and adjustment followed by three years of recovery and good business.

In the perspective of history, where are we in terms of economic growth?

Deciding the period over which one should measure economic growth is difficult. The longest period for which we have statistical measurements shows the average rate of growth has been about 3.7 per cent a

What expansion rate will U.S. have in years ahead? What causes economic growth? What retards it? Does deficit government spending contribute to growth? What can businessmen do? Is business debt too large?

year. This period is from 1838 to the present. Our growth rate was more rapid during the 1800's than during the 1900's. From the beginning of this century to the present, the rate of growth is more nearly three per cent a year. This is distorted by the depression of the 1930's, during which there was little growth.

Do you expect a four per cent growth average for the next 10 to 20 years?

With appropriate changes, we could do better than four per cent.

How do you define economic growth?

It is generally measured in terms of gross national product—or the total value of all goods and services produced—expressed in constant dollars to eliminate the effects of price change.

Important technical problems are involved in measuring real growth. It is obvious that some forms of production—for example, defense production—contribute less, perhaps, to the well-being of individuals than other forms of production do.

There are other problems, too. The figures we use do not properly allow for improvements in quality of the things we turn out.

There are certain things that tend to modify this. For example, part of our growth represents producing bread in a bakery and selling it through stores, whereas 50 years ago most bread was produced in the home. This sort of thing tends to inflate the growth rate, whereas the failure to adjust for quality tends to pull it down.

Could we be understating our growth today?

We probably are, particularly for the postwar period. As an economy gets more complex and as we produce more products, it becomes much more difficult to measure. In 1900 we were producing fewer things, but there is no way in our measurements to make any allowance for this. The range of choice open to the average person is vastly greater than it was in 1900 and this represents genuine growth. Yet this is something that we have not learned to measure.

What would be a satisfactory growth rate?

It seems to me that we need a growth rate of at least four per cent a year.

Certain adjustments now under way in the economy will tend to encourage growth in the future. Greater emphasis in business on cost-cutting, on greater efficiency, new products, the greater pressure to sell, to encourage progress—all of these things should work to give us a higher rate of growth in the years ahead.

We have not yet gotten the full benefit of the tremendous sums spent on research and development since 1950 because there is a lag between the expenditure for research and development and its translation into new and better products.

Then, again, our labor force promises to grow more rapidly from now on. All of these things favor increasing growth.

This does pose the problem of maintaining a level of job opportunities that will put these people to work.

If we do the things required to accelerate our economic advance, we will provide job opportunities. If we fail to do things to stimulate growth and instead resort to make-work practices—to shorter hours, to restrictions on the introduction of new equipment merely to provide jobs—we will end up by slowing down our over-all rate of economic advance.

There's another important aspect that is little understood. One of our problems in the postwar period has been that wages have tended to rise more rapidly than output per man-hour. An important reason for that has been a relative labor shortage. Because of population trends, we have had to push wages up to draw people into the labor market and we have had an unusually large proportion of older people, particularly older women, working.

In the labor market we have had people who, under more normal conditions, would probably not be seeking jobs.

It seems to me that in the 1960's we will have much less of this. The population trends will mean less pressure on wages and will increase our ability to keep wage increases in line with the increase in productivity.

This doesn't mean that workers will suffer. What wages will buy is determined by the trend of productivity and not by the trend in dollar wages.

What causes growth?

Economic growth is complex. There is much that

BUSINESS PUSH

continued

economists do not know about it. From what we do know, it would appear that growth is a result of several things:

First—and most important—is that we have greatly increased the amount of capital in use over the years. This means that each worker is supported by steadily increasing amounts of capital equipment. At the same time, we have had a tremendous development of technology, so that the equipment with which people work is much better than it was in the past.

On the average, each worker has something like 110 horsepower to work with as against, say, $2\frac{1}{2}$ horsepower 60 years ago. This horsepower is applied to machines which are more productive than in the past.

At the same time, the tremendous growth in education underlies this whole development. We need people who are trained not only to operate new equipment but also to invent it, design it, and produce it.

I like to think, also, that we have the sort of society which favors economic growth—a society which has been willing to accept the changes involved in growth.

What are some of the things that retard growth?

I think we have been too willing to go along with measures that positively impede growth, such as restrictive work rules, tariffs, featherbedding and we've gone along with a farm policy that has definitely slowed growth.

Reasonably moderate changes in all these things could accelerate our growth rate, perhaps markedly.

What can government do to encourage economic growth?

The basic requirement is development of a national sense of purpose—a broad national feeling that we need to do things at home and abroad that are not now being done and that we need to do to accelerate our rate of economic advance to be able to accomplish these objectives.

Beyond this broad sense of purpose, government can and should take a number of specific actions.

Action on the tax front is essential and would be most effective in accelerating growth.

This would involve some moderate reduction in the corporate income tax, a considerable liberalization of the treatment of depreciation

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BUSINESS PUSH

continued

and some reduction in the upper-level income tax rates which are not effective today in terms of yielding revenue and yet are quite effective in repressing some forms of investment.

We have been taxing saving and investment too heavily. We need some moderate adjustment in our tax laws to encourage saving and investment. Our industrial plant is growing older.

If we are to grow, if we are to compete with other industrial countries whose plants are becoming steadily more modern, we have to provide greater encouragement to saving and investment and encourage a higher rate of replacement so that our plant will become steadily more modern, more efficient. This is the major problem we face.

Higher tax rates have come into existence during the postwar period when you say economic growth has slowed down. Is there a correlation between the growth of taxes and economic growth?

Actually, these taxes came into effect during World War II, largely, and were in effect in the early postwar period when we did enjoy rapid growth. It was argued that this proves we can carry this tax load and these particular forms of taxes because we had them while we had good growth.

We had two other things at the same time which outweigh the repressive influences of the tax system. One was a tremendous backlog of demand built up during the war. The second was sufficient inflation so that you could pay these taxes and still enjoy after-tax profits that were high enough to encourage investment.

In the past four years we have come to an end of the inflationary situation and to an end to the backlog of demand. Now the lag in profits discourages the sort of investment needed to support growth and rapid modernization of plant and equipment.

Our rate of investment in the postwar period hasn't been particularly high historically. It has about matched the long-term average of investment. I would not argue that it is impossible for the economy to carry the taxes needed to finance the current level of government spending. What I argue against is the particular form of our tax sys-

tem. I think we are taking too much out of the sources that finance investment. A tax system based more on direct taxes, income taxes, excise taxes, etc., and relatively less on corporate income would give far more encouragement to investment, and hence to growth.

Moreover, I think our depreciation practices are hopelessly antiquated, even though they have been improved somewhat since 1954. We positively discourage the replacement of old machinery. It seems to me that everyone gains by encouraging this particular form of investment. It costs little in terms of government revenue and can contribute much to the rate of growth of the economy, the ability to pay higher wages and the ability to support necessary government expenditures.

Most investment is financed out of retained earnings, plus depreciation.

Business has borrowed rather heavily in the postwar period, but, in one sense, this money has gone largely to finance inventories. The fact that borrowing has been, by past standards, relatively high reflects the inflation that we have had which increases the number of dollars that must be found to finance the higher dollar value of inventories resulting from inflation.

In the past four years, for example, with relatively little inflation, bank loans and other forms of credit to business have risen relatively much less than in the earlier postwar period.

Is business debt too large today?

Business debt is not out of line with the ability of business to earn enough to make the debt completely supportable.

If one were to project for the next decade the same sort of growth in debt that occurred in the past decade, business would be in trouble.

Again, I think that if you can project no inflation or a small amount of inflation in the coming decade you wouldn't require the increase in debt that you had in the past decade and that the rise in debt which one could foresee would still be within the ability of business to handle.

Business debt must be watched. Ten years ago it was low. Now it is up to a point where one has to follow any increase with a skeptical eye.

Does deficit government spending contribute to growth?

No, I don't think deficit spending can contribute to long-term and genuine economic advancement.

It can give a short-term stimulus, but only at the cost of more inflation.

Our real problem is not to stimulate demand. Purchasing power is completely adequate to support four per cent a year in real advance.

Our problem, really, is to improve the rate of advance in productivity. This requires measures to stimulate investment. A government deficit tends to discourage investment.

Have Federal Reserve policies stunted economic growth in the recent past?

I find that difficult to prove. Certainly the charge that high interest rates and tight money have been the direct cause of the slowdown in growth does not stand up under analysis.

It can be argued much more cogently that we have had more than enough credit in this period and this has been responsible for the inflation we have had.

On the other hand, it would be desirable if we could get into a situation where interest rates average somewhat lower than they have averaged in the past few years. In effect, we need more of a government surplus in times of good business and less reliance on tight money than has been the case since 1956.

To some extent, we have been adjusting from a situation where everyone expected inflation to one where people do not expect inflation.

If we continue to move ahead without a feeling that inflation threatens, we can probably have a lower level of interest rates than we had in 1959, for example. This would favor economic growth.

What else can government do to speed our growth rate?

The government needs to move toward a liberal tariff policy with due regard to cushioning the necessary adjustments.

The government could reorient many of its policies in the field of regulation, to encourage economic growth rather than to repress it, as a lot of regulatory policies tend to do today. The whole field of transportation, with which government is intimately concerned, is now acting as a drag on growth whereas it should be reoriented to encourage and support growth.

How do tariffs retard our economic growth?

By definition, a tariff means that a domestic producer is protected from foreign competition. Consumers in the United States are forced to pay a higher price to the manufacturer of the domestic product than they would pay for the imported product. Otherwise there would be no tariff.

This means we are devoting too much effort to promoting the things we produce inefficiently and at high cost and too little effort to what we produce efficiently and at low cost.

If the tariffs were removed, we would shift our production to the things which we do more efficiently.

The shift would be rather difficult on some companies, would it not?

That's right. I would argue against any abrupt shift. These shifts should be made only over a period of time, and I would want programs to moderate the impact of the shift on both the workers and the businesses involved. This is being done in Europe. The reduction of tariffs is being spread over a 10 or 12-year period. If we were to do the same, it would increase the over-all efficiency of our economy.

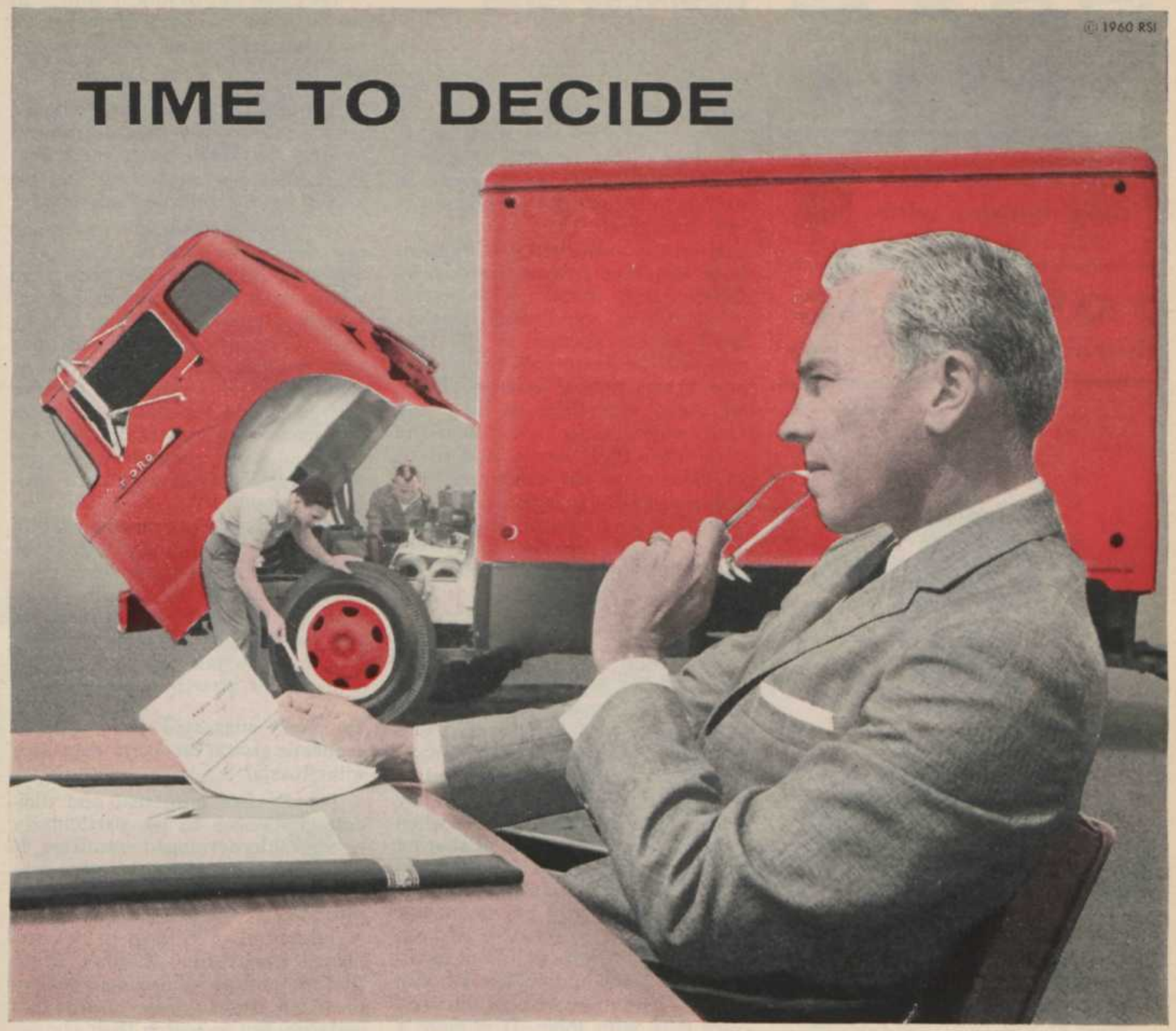
What can businessmen do to speed economic growth?

It seems to me that what is required is an even greater emphasis on better business management, on what is primarily required of business, that business should do its job much better in the future than in the past.

By this I mean a greater willingness to take chances, more emphasis on developing new and better products and marketing them aggressively. I think there has been a tendency in the past few years to expect price increases to meet cost increases rather than to hold costs in line. Business has gotten out of the habit of cutting prices. In a growth economy with no inflation we have to have price cuts where necessary to stimulate sales.

What can the average person do?

Support the sort of policies that will genuinely accelerate growth and support efforts to change the policies that have impeded growth. This involves a greater understanding of the need for greater growth, of the factors that will contribute to the growth, of the damage that is done to growth by mistaken policies, a greater willingness to make the adjustments that are inevitably a part of economic growth. Growth,



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BUSINESS PUSH
continued

by definition, involves change, and people tend to resist change.

The remedy for this is an understanding of the benefits of growth to the community as a whole as well as to sectors of the community and individuals.

Even the individual who happens to be displaced from a given job by technological change or reduction of a tariff or some other development almost always, in the long run, will be better off by moving into a new line of activity. There are some exceptions to this, generally among older people or where it is difficult to learn a new trade. In these cases the community has a responsibility to ease this adjustment. But young people should welcome change. Change in growth offers them greater opportunity, certainly, than stagnation.

How would you change work rules?

We need a national acceptance of the need for accelerated economic growth and a national willingness to go along with policies that will encourage growth. In an atmosphere of growth many so-called work rules become obsolete. They were devised in the depression when there was a real problem of sharing the work, and protecting an individual's job. In an atmosphere of growth these things are no longer necessary since alternative jobs are available or, if work rules are modified, the individual in the job can actually earn more without the work rules than with them. It is more a question of attitude and of understanding than of anything that basically cannot be changed.

Will the future require an even greater rate of economic advancement than we have at present?

I know few people who have no unsatisfied wants or desires. We have a considerable way to go before you can say that the great bulk of the American people are affluent. Moreover, there are really tremendous needs in this country. We need to make our cities decent and attractive. We are far from having solved the highway problem. We need more and better schools. We need to develop to the utmost the talents of individuals. We face the tremendous job of modernizing the free world economy, helping the underdeveloped countries achieve economic progress, to provide hope for progress and for a better life.

We have the technical ability to do this if we can achieve the rate of economic growth of which we are capable.

In a free society isn't the economic growth rate more or less determined by what the people want, and if that is so, are you suggesting that we should have a controlled economy?

In a society such as ours no one can decree the rate of growth. No one can set up a five-year plan which calls for a certain rate of growth. But we know from history that, if certain conditions exist, our rate of growth can be accelerated or retarded. What I suggest is that we attempt to do the things we know will encourage growth and stop doing or at least moderate the things that experience shows retard economic growth.

I have no way of knowing that by doing these things we will get four per cent or five per cent or six per cent growth. All that I can say is that, if these things are done, we will move in the direction of better growth. I do not regard a six per cent rate of growth as impossible.

You don't suggest a faster rate of economic growth merely to keep pace with Russia?

The Soviets pose real and difficult challenges to us, particularly in the underdeveloped countries. If communism can demonstrate a dramatically greater economic growth rate than we do, this is tremendously important. We have to be concerned about this. I don't think that this means we necessarily have to match Russia's rate of growth—certainly not to match their claims, which are vastly inflated—but if we were to grow at four per cent a year, which is perfectly feasible, I doubt if the Russians would ever catch us.

We need not give up the battle by default, by which I mean adopting a system that copies theirs merely to achieve a higher rate of growth. Actually, I think we have missed a great bet in not explaining what Russian growth has meant to Russians. Less than half of Russian output goes to consumers; in our case close to 70 per cent goes to consumers. The improvement in living standards in Russia over the whole span of the Soviet regime has been spectacularly less than the improvement in the United States or other free countries. Much of Russia's growth has been in things that do not yield direct or immediate benefits to the people involved. Our growth does and should. **END**

Acct. Exec.: Well, when our prospects look in the Yellow Pages, they're not looking for entertainment as in other media. They're ready to *buy*—our product or one of our competitors'. Now we can *sell* them right at this moment of decision.

ACCT. SUPV.: Fine. But how?

Acct. Exec.: New National Yellow Pages Service lets us put solid selling display ads in any combination of 4,000 directories across the country . . . ads that tie right in with our national consumer campaign.

ACCT. SUPV.: You mean, we can tell them *why* to buy—as well as *where?*

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ACCT. SUPV.: How about all the paper work involved in buying the hundreds of directories we'd need?

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ACCT. SUPV.: What was that you said about commissionable?

Acct. Exec.: It's true. The space is subject to agency commission.

ACCT. SUPV.: I'm sold. And I think the client will buy it.

Acct. Exec.: It's so sound he can't afford not to!

NEW NATIONAL YELLOW PAGES SERVICE

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For details contact your NYPS representative through your Bell Telephone office.

REDS THREATEN

(continued from page 45)

Finally, a judge holding court in the building ordered the mob dispersed. Police were forced to use fire hoses when the rioters attacked them.

In all, 68 persons were arrested, most of them students. Municipal Judge Albert Axelrod, pointing out that there was ample evidence to convict them, nevertheless dismissed charges against 62 of the defendants, saying they were for the most part "clean-cut American students" who could well be haunted for the rest of their lives by the stigma of a conviction. But 58 of the students later signed a statement declaring: "Nobody incited us, nobody misguided us. We were led by our own convictions and still stand firmly by them."

Such an attitude clearly shows something's wrong. It signals a need to find out what's wrong and correct it.

The Korean prisoner of war study suggests that lack of understanding of the entire American system contributes to a lack of patriotism.

Several surveys of student attitudes have demonstrated widespread misconceptions about the U. S. economic system. Questionnaires distributed to more than 9,500 high school students through the United States Chamber of Commerce showed, for example, that:

More than one third believed that what a company wants to charge has a greater influence on prices than what customers are willing to pay.

More than one fourth thought the government should set a limit on the amount of profit a business can make.

More than half felt that owners of business get too large a share of profits, compared with what workers get.

More than half thought the government should guarantee a job for everyone willing to work.

Almost 60 per cent believed that, in most industries, one or two companies are so large that they are practically the same as monopolies.

And 44 per cent thought that the fairest economic system takes from each according to his ability, and gives to each according to his needs.

How business helps

Correcting such misconceptions is only part of the job ahead. An affirmative, long-range program to restore faith in the American way of life is essential.

Here are some examples of what's being done now:

Business firms and organizations are especially active in promoting understanding of and belief in our competitive free enterprise system.

Several companies are sponsoring showings of a movie made from newsreel films of the California riots. The movie, vividly revealing the communist agitation, is titled "Operation Abolition," the reds' own tag for their campaign to destroy the Un-American Activities Committee.

Many concerns, associations and foundations offer prizes, scholarships or awards to spark student interest. The Stanley Works of New Britain, Conn., awards $1,200 annually for the best student essays on "The Role of Industry in the Development of America."

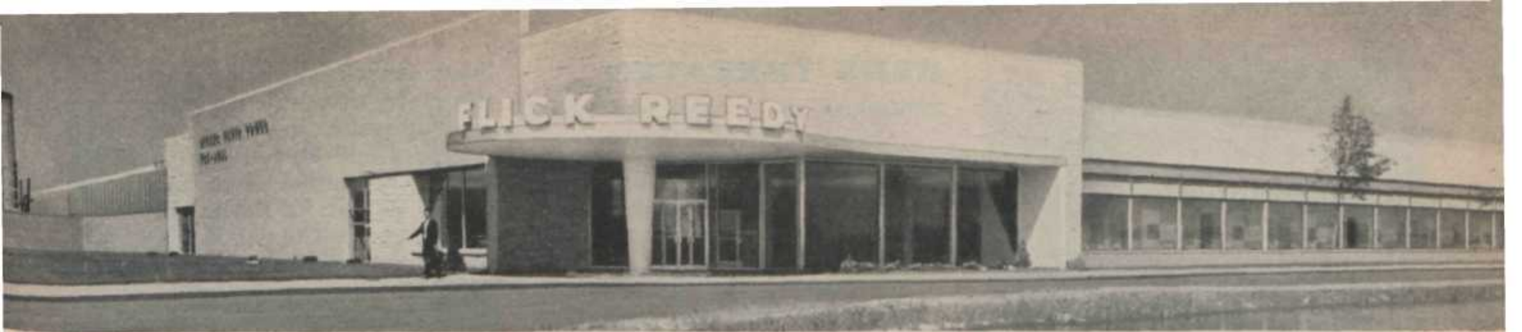
Major awards for development of citizenship and Americanism are made annually by Freedoms Foundation at Valley Forge and The American Heritage Foundation. The National Association of Broadcasters and the Electronics Industries Association cosponsor a Voice of Democracy script-writing contest for high school students each year in cooperation with the Veterans of Foreign Wars. Four scholarships are prizes in the American Legion's annual National High School Oratorical Contest, based on patriotic themes.

At the local level, chambers of commerce organize many projects. One of the most successful is Business-Education Days, developed by the National Chamber. On these days businesses in a community open their doors to teachers so they may see and gain a greater understanding of the operation of competitive enterprise. So far, 2,900 B-E days have been held in 1,072 U. S. and Canadian communities.

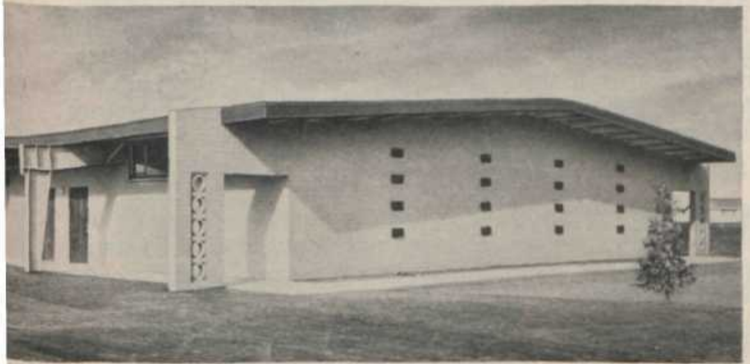
Local chambers also sponsor student tours of industries and provide speakers for school events.

High school students gain greater understanding of economics through Youth Asks Business programs, sponsored by the Youngstown, Ohio, chamber. During these sessions, youngsters are encouraged to clear up their concepts of competitive enterprise by questioning business leaders of their community.

To help develop articulate, informed spokesmen for business, the National Chamber has prepared an Economic Discussion Course. While it is intended chiefly for use by groups of adult thought leaders, the



Flick-Reedy Corporation, Bensenville, Illinois. Architect: Zay Smith Associates; Designer, Norman Steenhoff


Cartwright Elementary School, Phoenix, Arizona

Queensway Volkswagen, Toronto, Ontario. Architect: Lipson and Dashin


St. Raphael's Church, Venice, Florida
Architect: Thomas J. Madden, A.I.A.


Waialae Bowl, Honolulu, Hawaii
Architect: Takashi Anbe, A.I.A.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REDS THREATEN
continued

course is being used in several schools. Still another Chamber project is designed to help business get across the principles of our economic system to its employes through effective communications.

The Action Course in Practical Politics offered by the Chamber helps individuals understand and participate in American democracy.

Slides and films to help tell the free enterprise story also are widely used by businesses and local chambers.

Labor and education activities

Labor unions are active in youth work, too. Their spending for college scholarships is estimated at about $500,000 a year.

The AFL-CIO this year sponsored a high school essay contest with trips to Washington for state winners. Its Economics Department also holds seminars for college professors, and prepares pamphlets, films, and other educational materials.

In the field of education itself, there is a growing recognition of the need for more teaching of American principles and economics. Educators themselves are concerned that only a small percentage of elementary or high schools provide courses labeled as economics, but they contend the students learn a great deal about our economic system in such courses as civics, American history and government.

In any event, the number of schools teaching economics, as well as our nation's basic beliefs, is increasing—supplemented by help offered by organizations backed by businessmen. Among groups encouraging broader knowledge of free government through work with teachers and students are the National Education Association, the Texas Bureau for Economic Understanding, the Council for Advancement of Secondary Education, the Joint Council on Economic Education, The American Economic Foundation, the American Enterprise Association, Inc., and the Intercollegiate Society of Individualists, Inc. Each offers materials for classroom use. Various differences on domestic political philosophy are sometimes apparent, but all provide some insight for the student into the competitive enterprise system.

College students themselves are showing significant interest in assuring that our nation's heritage and way of life are thoroughly understood.

An example frequently cited by educators is the Democracy-in-Action program at Howard Payne College in Brownwood, Tex. Forty of its students banded together to conduct forums and lectures in high schools, churches and civic organizations in the seven surrounding counties.

Now backed enthusiastically by off-campus groups, the program includes a week-long gathering, with important outside speakers; general campus rallies; and, throughout the year, weekly meetings in small groups to discuss the errors of communism and the merits of democracy. These groups, incidentally, are termed "cells," as are communist units.

Defense Department program

Since Korea, the Defense Department has developed an extensive campaign to promote a better understanding of democracy. The Office of Armed Forces Information and Education has produced dozens of pamphlets, posters, motion pictures, radio and television programs designed to get American principles across to young servicemen who may lack some of the essentials.

Such materials are worked into the required training of servicemen and kept handy for those who enroll for more voluntary education. The Armed Forces formal educational programs also are putting new stress on subjects related to patriotism and economics. To reach those not interested in schooling, the same themes are emphasized on the programs broadcast by the more than 200 radio and 33 television stations operated by the armed forces abroad. The California riot movie

WHY SHOULD A BUSINESSMAN BE TAXED TO SUPPORT GOVERNMENT COMPETITION AGAINST HIMSELF?

Some strange paradoxes crop up, at times, in the American scene.

We are scrupulous, as a nation, to safeguard the rights of the individual in court . . . his right to worship without interference . . . his right to speak freely and openly on any issue.

We have federal laws and regulations to protect him against unfair competition in his efforts to make a living . . . unfair competition, that is, *except that from the federal government itself*.

Take, for example, the matter of the government's producing and selling electric power in the open market. Because federal power systems pay no federal income taxes, and little or no taxes to state and local governments, they can undersell the independent electric companies which *do* produce taxes. *In fact, the very taxes provided by the independent electric companies and their customers are used in part to help finance this unfair competition.*

Now the proponents of federal "public power" are pressing for billions more to build additional federal power plants, although the independent electric companies are ready and able to supply all the power the nation can conceivably need. And this *on top* of more than $5,000,000,000 of taxpayers' money already spent on such government installations.

How can this go on? Simply because the public doesn't know about it.

A NEW BOOKLET TELLS THE STORY

You can get interesting, little-known facts, figures and quotes by mailing the coupon below for the new free booklet, "How Federal Government Electricity Affects the Businessman." It discusses how "public power" spending can affect your costs, prices and profits, what happens when the government goes into business with taxpayers' money, and the anti-business implications of federal power spending.

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REDS THREATEN

continued

has also been distributed to military installations.

Role of religion

Religion's implacable opposition to communism is passed on to youngsters in Sunday schools, parochial schools and the many youth organizations sponsored by the churches.

In addition, the Protestant, Catholic, Jewish and Greek Orthodox faiths have joined together to create the Foundation for Religious Action in the Social and Civil Order. This organization, based in Washington, is dedicated to opposing by spiritual means communism and all forms of totalitarianism, and to helping renew the religious and moral foundations of democracy in our own country and the world.

As one of its projects, Dr. Charles W. Lowry, foundation chairman, worked with the Office of Armed Forces Information and Education in selecting 20 paperback books that would provide military libraries with a relatively inexpensive selection of material promoting a better understanding of democracy and the threat of communism. Some of the titles: "Animal Farm," by George Orwell; "Communism and Christ," by Dr. Lowry; "Darkness at Noon," by Arthur Koestler; "Masters of Deceit," by J. Edgar Hoover; and "Young Rugged Constitution," by Bruce and Esther Findlay.

Dr. Lowry, an Episcopal clergyman, feels that the churches generally have not met the communist threat as actively as they might.

"I feel that this is one of the things that churchmen quite generally have not faced up to, that what they have is really a fighting faith," he says. "If it means anything, it has application to the deepest and toughest problems of our age."

He urges that American religions form a united front against communism and establish friendship with other faiths in the world so they will understand that the U. S. wants freedom and dignity for individuals everywhere.

Catholic Bishop Fulton J. Sheen attributes the vast growth of communism to the world's spiritual vacuum. "The modern world has lost its faith, it has lost its goal and purpose," he says. "And the world became sick and tired of milk-and-water systems where there was

(continued on page 79)

They've worked their way into the language...

Harnessing the raw power of "white water" with a giant dam can transform a wilderness into the source of countless benefits. But first it means moving millions of tons of materials and equipment with the precision and complexity of a military maneuver.

On such major construction projects, Mack trucks are in the forefront of hauling activity. Macks long ago proved their value to timetable-minded construction men . . . have tirelessly worked their way into the language. "Built like a Mack" has become a universal synonym for strength, power and long life.

Ask your Mack representative to tell you the many specific reasons why the name Mack signifies exclusively the full measure of truck earning power. Learn, too, why there are twice as many diesel-powered Macks on the road as the next nearest make . . . and why there are more in operation than the next two makes combined.

BUILT LIKE A Mack

In dam construction, ruggedness and size are basic Mack truck contributions . . . as personified by this tremendous new off-highway model shown at right. In highway hauling, the same ruggedness marks modern, compact Mack truck-tractors—such as the new Mack cab-over-engine G models that combine minimum length, light weight and traditional Mack durability, or the conventional cab models.


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Modern locomotives—like these new 2400 h. p. turbo-supercharged beauties—are an important factor in the reliable rail transportation provided by the Burlington.

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REDS THREATEN

continued

nothing so sacred you could dedicate your life to it, and nothing so evil that you should risk your life to destroy it."

A warning against stressing the material advantages of democracy comes from Rabbi S. Andhil Fineberg.

"What communists cannot offer, what they do not have, and what we can provide, is best described as 'spiritual values'," the rabbi declares.

"We can supply, if our clergy will provide the material, proof of the superiority of our way of life over life under communism in terms of religious and spiritual values."

Planning for the future

As an important part of future government action, Rep. A. S. Herlong, Florida Democrat, proposes establishment of a federally financed Freedom Academy to develop a systematic knowledge of the international communist conspiracy; reduce means of combating communism to a coordinated science; educate and train citizens to carry out such countermeasures, and give government personnel the benefit of the knowledge and science it develops.

Another effort to gather together knowledge of what's being done to help young people understand democracy has just been launched by the National Chamber. Its Education Department is asking local chambers to report all such activities, so an over-all picture will be obtained. At present, no single agency or organization has this information. The Chamber plans a "How to Do It" manual after the survey is completed.

What else can you, as an individual, do?

J. Edgar Hoover sums up: "Promote morality to defeat the immorality of communism; don't provide protective coloration for subversive organizations by being an indiscriminate joiner; be a crusader for democracy, our form of government is only as good as the people in it.

"All our hopes for the future of our country are bound up with our hopes for the future of our nation's youth.

"They will not fail us if we do not fail them. Only our apathy and laxity in the face of the threat which communist efforts represent can cause such a failure." **END**

COMING:
13.5 MILLION NEW JOBS

Employment gain can match growth of labor force during decade to come

PROBABLE EXPANSION of the nation's labor force by one fifth in the new decade raises this challenge:

Will there be enough jobs for all the new workers?

Industry-by-industry analysis shows that healthy economic growth will fill the need, provided that:

▶ Government does not tamper with the economy.

▶ Workers acquire the skills needed to match job opportunities.

▶ Business trains or retrains employes to meet changing needs.

Except for the 1930's, the balance between jobs and workers has been kept at a satisfactory level for most of this century. From 1940 through 1957 the labor force grew less than job demand. But unemployment rose in 1958, and still totals more than five per cent, despite an increase in jobholders from 65.6 million to more than 68 million.

During the 1960's, the number of people between 14 and 65 years of age—the working years—will climb by 13.5 million. This means we may need over 79 million jobs in 1970. Depending on the number of women and youngsters who will actually seek employment, and the rate at which other people drop out, the labor force increase will range from about 18 per cent to 20 per cent.

Creating the new jobs will depend in large part on the ability of business to obtain enough money to invest in expansion. Tax reform, including more realistic depreciation allowances, would provide some of the additional dollars. Federal spending aimed at forcing growth, on the other hand, could drain off funds that otherwise could be helping to prevent unemployment.

Matching workers to jobs will be more difficult in the 1960's. In the past decade, industry expanded chiefly through well understood technology and much of the growth in the labor force was in skilled workers 25 or older. Ahead are demands for more sophisticated goods and services, requiring more skills.

Only about 5.5 million of the 13.5 million needed new jobs are likely to require little appreciable skill; the other eight million will call for special training or experience. Yet the number of workers under 25 in the labor force may grow by about 6.5 million, while the increase in the more experienced 25 to 64 age group will amount to only about seven million.

Training will be challenge

It will be necessary to train about one million youngsters, or to train those now lacking skills, if a balance is to be achieved. This is a responsibility of both the prospective worker and employer. Young people must prepare themselves for the fields with greatest promise. Business must provide retraining opportunities for workers in blind alleys because of technological or market changes.

Raising the cost of unskilled labor with artificially high minimum wages is not the answer. This increases the demand for labor-saving equipment, requiring skilled workers, and reduces the demand for unskilled labor, thus adding to unemployment.

Present unemployment figures reflect changes made in the method of counting the unemployed in 1957. All persons who are reported as looking for work and those waiting to start a new job or be called back to one from which they have been laid off are counted as unemployed.

This method tends to inflate the U. S. figure in comparison with European countries which count as jobless only those voluntarily registered as unemployed and seeking work. The European system, which results in rates of 2.25 per cent or less, would also yield rates below three per cent if applied here.

But even if unemployment here is roughly comparable to that abroad, it cannot be viewed complacently. Will unemployment get worse? What are the prospects for 1961, as distinguished from the 1960's as a whole?

Let's assume an upswing starting in the fourth

quarter of 1960 that will carry the gross national product in the third quarter of 1961 to $535 billion from the current $503 billion to $505 billion.

Government outlays, under these conditions, might total $107 billion; personal consumption expenditures $340 billion, net exports $3 billion, and domestic investment $85 billion, including $45 billion for plant and equipment, $23 billion for residential construction, and $5 billion for inventories.

Such an economy might require a rise of roughly 400,000 workers in manufacturing, 300,000 in trade, 300,000 in state and local government, 200,000 in services, 100,000 in construction, financing and real estate, and 200,000 in miscellaneous groups.

This would be a gross rise of 1.5 million. A decline in the number of jobs in agriculture would bring the net increase to possibly 1.25 million. This is about the same as the expected growth of the labor force. Thus, there would be no decrease in the number of unemployed, but the percentage of the labor force without jobs would decline.

If average hours worked were lengthened appreciably in 1961, however, the gain in jobs might be less. Hours in manufacturing in August 1960 were two per cent below those of August 1959 and hours in retail trade were down nearly two per cent. Therefore, increases of one to two per cent in output might be obtained with little increase in employment.

Outlook for more jobs

Prospects for the rest of the 1960's depend chiefly on the outlook for an increase in jobs to match the growth of the labor force. Eighty per cent of these jobs will be in four categories:

Manufacturing.

Trade.

Government.

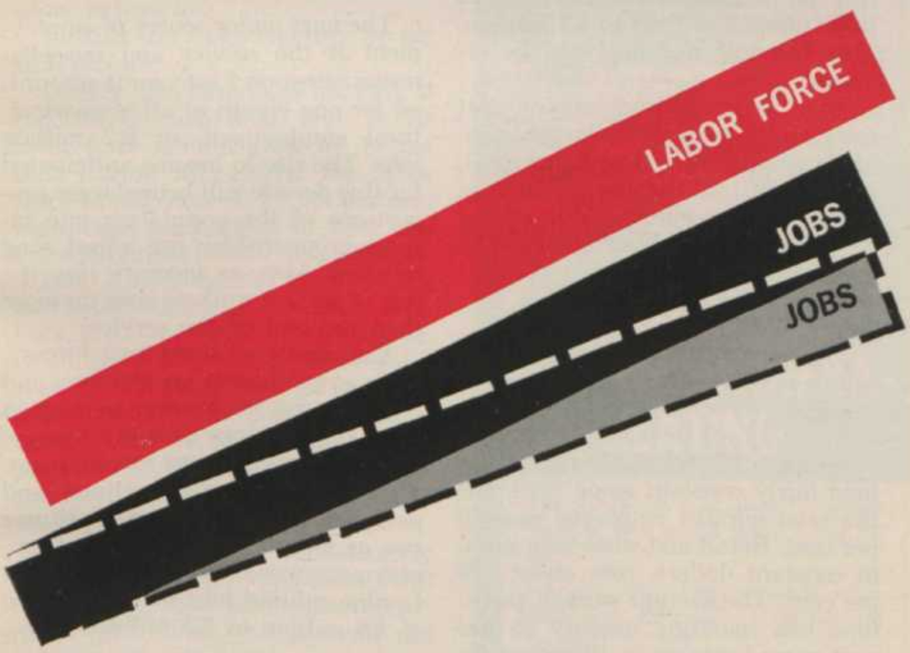
Services.

Let's start by assuming production will grow about four per cent a year, compounded annually, and personal consumption by 3.7 per cent a year.

These are not unrealistically optimistic assumptions. They would yield a gross national product in 1970 of about $750 billion (in 1960 dollars) and personal consumption expenditures of about $475 billion to $485 billion.

Manufacturing

Manufacturing is the largest single employer. It uses approximately 16.8 million workers—more than 30



Job supply can match growth of labor force in 1960's, but lack of investment incentives and inflationary action by government can cut opportunities, widen margin of unemployment

NEW JOBS

continued

per cent of those with nonfarm jobs. The rate of growth we have suggested may mean relatively little increase in manufacturing employment. The number of persons employed per given quantity of goods produced has been dropping.

If manufacturing output expands by four per cent a year, and manufacturing employment per unit of goods produced declines three per cent as it did, on the average, in the 1950's, manufacturing employment may approximate 17.5 million by 1965, and 18.5 million in 1970. This would be about 10 per cent above today's level.

Should manufacturing output increase only 3.5 per cent a year in this decade, employment might increase by as little as five per cent. Should the increase average 4.5 per cent, employment might rise about 15 per cent.

The increase may come in the so-called "nonproductive" employment category.

As a result of research and development, new technological advancements are increasing the output per production worker. From 1953 to this year, employment of productive workers in manufacturing dropped from 13.8 million to 12.5 million. But the nonproductive employment rose from 3.4 million to 4.1 million. This trend is not likely to be reversed.

The nonproductive employment in factories tends to be largely professional, managerial, and technical. Manufacturing, therefore, offers no great hope for employment among the younger, unskilled members of the growing labor force.

Trade

The second largest employment source is wholesale and retail trade. It employed some 12 million, or 21 per cent, of all workers in 1959. Its proportion of the total work force held fairly constant since 1929, but the total number employed rose 79 per cent. Retail and wholesale sales, in constant dollars, rose about 125 per cent. The average worker, therefore, was handling roughly 25 per cent more business in 1959 than 30 years earlier.

If retail and wholesale trade increases about 3.5 per cent a year in the 1960's, the total volume of sales in 1970 would be more than 40 per cent greater than in 1960. For each 10 per cent increase in sales, trade employment has tended to increase about six per cent. So a sales increase of more than 40 per cent would suggest a possible employment increase of about 25 per cent, to nearly 15 million in 1970. However, if the recent rapid productivity increase continues, employment might rise more slowly—possibly to little more than 14 million.

Government

The third largest job source is government, which employs about 16 per cent of the civilians in nonagricultural work.

Federal civilian employment was about 2.6 million in 1953, and about 2.4 million in 1959. Most of this drop was in civilian employment in the military establishment, especially among women. More than 40 per cent of federal employment is in the Department of Defense. Unless this department expands its payroll, federal employment may not rise appreciably.

The prospect for increases in employment by state and local governments is something else. Payrolls of state governments rose by 50 per cent in the 1950's and employment by local governments went up more than 35 per cent. If this rise continues in the 1960's it would mean about 2.2 million more jobs. The rise may range from 2 million to 2.5 million.

Services

The next major source of employment is the service and miscellaneous category. Last year it accounted for one eighth of all nonagricultural employment, or 6.7 million jobs. The rise in income anticipated for this decade will bring larger proportions of the population into income groups which can afford good services. Also, as incomes rise, the pay of service workers goes up more than the cost of the service.

The result of these two forces—more expenditures on services, and higher wages for services performed—has been to draw people into service and miscellaneous employment. Should past trends continue and personal consumption expenditures rise as assumed, this source of employment would provide 8.5 million to nine million jobs in 1970—a rise of 1.8 million to 2.3 million.

Other categories

A few other categories can be reviewed quickly.

Contract construction is reported to have employed fewer workers in 1959 than in 1956 or 1957, although the volume of construction has risen.

A rise in construction averaging

3.5 per cent a year has been forecast for the 1960's. Should this forecast prove correct, and should productivity rise at the present rate, there would be no increase in direct employment of construction labor—unless the productivity rise caused building costs to drop enough to stimulate more construction and more employment. Construction, therefore, may provide for its current proportion of the labor force during the 1960's, and it may do a little better.

The peak in mining employment was reached in 1923. Employment dropped by three per cent a year, on the average, during the 1950's. There is little reason to expect this source of employment to provide more jobs later in the 1960's than at present.

Transportation and public utilities provide about four million jobs. Railroad employment has been dropping, but trucking, air and warehouse employment has been rising. The productivity of telephone operations increases with the volume of conversations, so that employment there is relatively steady. The same story is found in gas and electric utilities. Little additional employment seems likely in these fields, or in agriculture. There may be some increase—possibly as much as a million—in real estate and financing, in self-employment and other categories.

Putting the story together we get this picture:

If only the minimum increase is reached in each field, and, if the labor force should grow by 18 per cent during the 1960's, the labor force would increase by six per cent more than the number of jobs, and unemployment would rise sharply.

But, if employment rises by the maximum suggested for each category, the total would go up by nearly 21 per cent; if the labor force rises by not more than 20 per cent, unemployment, as currently measured, would be about four or five per cent by the end of the decade. Employment would keep pace with the labor force.

The situation will be delicately balanced. Minor recessions will cause more than minor unemployment, and minor booms could put inflationary pressures on wages. This emphasizes the need for national policies that will encourage a dynamic economy. That means the economy must be allowed to expand to meet the needs of consumers and thus provide jobs for the new workers of the 1960's.

—ROBINSON NEWCOMB

SENIOR CITIZENS

continued from page 43

things they had to do without because of lack of money. In spite of the low income, half the men and a little more than half the women said "No." Only about 10 per cent of those who said they felt deprived —which is only five per cent of the total—said they lacked health services because they did not have enough money.

In still another recent survey of the aging, these elders were seen to be solving their medical care problems themselves. This study was made by the National Conference of Catholic Charities. Everyone older than 60 was surveyed in the St. Rose of Lima Parish of Milwaukee, Wisc. This is what was found:

Only six per cent of the men and nine per cent of the women thought of themselves as having poor health. All those who were too ill to leave their homes had some member of the family to take care of them.

When asked who would take care of them when they got sick, all but four per cent said they would be able to make some arrangements for care. Of those widowed or single or childless, about one in 10 said he could count on a friend or neighbor in time of sickness, and a few said they would get hired help.

Nine out of 10 in the study said they had enough to live on or were comfortably fixed financially. In the normal give and take of family life, the older people were counting on giving as well as getting help when illness struck, the study made clear.

In earlier studies in St. Louis, Cleveland and Buffalo, the National Conference of Catholic Charities asked elderly persons who would pay for hospitalization if it were necessary. Between 80 and 90 per cent said they had hospitalization insurance, savings or potential help from relatives.

Elderly rank medical aid low

When asked to rank conditions they considered of most importance, the elderly listed "enough money to live on" as topmost. However, they ranked the importance of "children and grandchildren nearby," "good friends" and "to be left alone to do as they please" all above "good medical care and health."

The findings in these new independent studies of the aged are a far cry from the disastrous picture of vast millions of ailing dependent aged sketched in Congress this year.

Congressional liberals have contended that eight out of 10 elderly persons in the nation are chronically ill, that four million have a heart condition or high blood pressure, that the median income of aged persons is only $1,488, and that only 20 per cent of all those older than 65 have liquid assets of $5,000 or more.

The facts are:

Although eight out of 10 aged have a chronic condition, only four out of 10 say they have any limitation on their normal activity as a result. Of the four million with heart or blood pressure trouble, more than two million were not confined to bed by it. Although the median income of the aged is only $1,488, this statistic includes the 2.4 million persons on Old Age Assistance, which tends to hold down the level considerably. It is also true that only 20 per cent of those older than 65 have liquid assets of $5,000 or more. But for the total population over 18 years of age the percentage with this much liquid assets is only 10 per cent. In fact, no other age group has as favorable an asset position as the aged. Also, four million of the 16 million aged are either still employed or are wives of employed workers.

Total family income is usually a more realistic measurement as to whether an elderly person can pay a medical bill. A national survey in 1957 found that 79 per cent of the aged indicated they could pay a $500 medical bill, beyond expenses covered by health insurance, with assets available to them.

Many of the aged have several sources of income. About 10.6 million aged receive social security checks. More than a million get veterans pensions. More than a million get other government pensions such as railroad retirement or civil service. About 1.5 million have pensions from business. And about one million receive some income from annuities. About half the aged have income from rents, dividends or interest.

Since more than 19 million persons are covered by private pension plans now, these will be a growing source of income.

Almost three out of every four couples drawing social security benefits own their own homes, about nine out of 10 of them mortgage-free.

The median net worth of social security oldsters was $9,616 in 1957, up from only $5,610 in 1951.

In the debate on the medical issue, the Health Insurance Association of America points out that half the Americans 65 and older now have health insurance protection. An estimated 90 per cent who want and need it will have it by 1970.

What liberals contend

The effort to remedy the medical problems of the aged through the social security system are based on this argument:

The high cost of medical care for the aged is not primarily a problem of the poor. All the elderly should be relieved of the fears of loss of vigor and health and the threat that an expensive illness will wipe out their savings. The aged should not have to depend on their children or face the embarrassment of taking charity to pay a big medical bill. Instead, the 70 million workers covered by social security should be given the chance to contribute now through a higher social security tax for paid-up medical care protection later.

But opponents point out many dangers and inadequacies of broadening the social security system to cover health protection.

First of all, as some of the most recent surveys show, only a small portion of the aged need much help. The new law passed this year provides a broad measure of assistance in meeting medical costs for those most in need—the indigent and the sometimes-needy aged. This is in addition to private family, civic and religious activities to help the most needy and the traditional medical practice of not charging, or reducing the charges, for the poor.

Second, of those who are not needy or indigent, 7.7 million aged have private voluntary health in-

PRICES—UP OR DOWN?

The future course of prices is one of the greatest uncertainties in forecasting. For some clues to future price trends turn back to "Prices: What Might Boost Them" on page 35

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**Suggested retail price, East Coast Port of Entry.*

SENIOR CITIZENS
continued

surance. That's 58 per cent of those exclusive of the indigent aged. Less than 10 years ago only about 25 per cent of the aged population had health insurance protection. The HIAA notes that there is no evidence to indicate that the remaining 4.6 million aged can't and won't get health insurance if they want it in the future.

Social security danger

The social security approach—taxing workers and their employers more to pay for hospital and surgical costs of elderly beneficiaries—would lump all these aged into one category: those who can pay their bills as well as those who can't; those who are insured and those who aren't.

Would those compelled to pay for a national health care system through social security be willing or able to carry private health insurance policies? Opponents of the Forand social security idea ask this question.

Opponents of the Forand idea also ask: What would happen to the quality of medical care if the federal government disburses the money for care programs, if some federal agency determines the benefits provided, sets rates of compensation for hospitals, nursing homes, doctors and dentists, and enforces uniform standards of care? Would bureaucratic decisions replace those of professional medical men?

The Forand legislation would provide for 60 days of hospital care a year, although 90 per cent of the aged who must be hospitalized are out in less than 30 days, as studies have shown.

U. S. Department of Health, Education and Welfare statistics say the existing demand for hospital beds totals more than 761,000, while only 653,000 hospital beds are available.

The Forand legislation promises 120 days a year of nursing home services minus any days in the hospital. The same HEW statistics show that we have 245,000 nursing home beds, but need 385,000. The demand for those already overburdened facilities is apparent.

Though the Forand proposal would provide hospital and surgical help, it would not pay for medicines — prescribed and not prescribed—which add up to one third of what the aged spend for medical care.

Older workers and those who have already retired will have paid a relatively small amount in social security taxes for what they will receive. For instance, a person retiring this year who has paid only $1,290—the maximum taxes since the law was enacted—could expect social security checks in retirement of $18,720. The social security taxes are scheduled by law to increase over the next several years. By 1969 employes and employers each will be paying in taxes 4½ per cent on the first $4,800 each employe earned in work covered by social security each year. That's 50 per cent more than the present three per cent tax.

The Forand approach would raise the tax one-half a percentage point to pay for medical care costs of aged social security beneficiaries. That's $2 a month more from both employer and employe. Many believe the tax would have to go much higher to keep social security anywhere near sound.

For example, Americans spent $18.1 billion for health and medical care last year. If a universal compulsory health care program were enacted under social security, it would mean the tax would have to be raised by another eight or nine percentage points over already scheduled increases.

U. S. Health, Education and Welfare Secretary Arthur Flemming has predicted that inevitable pressures for expansion of health care under social security could bring the tax to 15 to 20 per cent, rather than the present three per cent which employer and employe each pay.

Though social security has been pictured as "insurance," there is no contractual arrangement between any social security taxpayer and the government. Taxes paid by those who are presently working are merely transferred to current receipts of social security. Future revenues depend on the willingness of workers to pay increasingly higher taxes.

At the heart of the medical care for the aged issue is the question of whether responsibility will be shifted to the federal government or whether it rests with individual and local initiative and private enterprise. **END**

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PRICES

continued from page 37

particularly those of Western Europe, Japan, and Russia have expanded their productive capacity dramatically in the past decade. Of even greater importance is the fact that much of this capacity is new and appears to embody the latest technological improvements. The result has been a highly productive plant which, when combined with much lower wage levels, has made it possible for foreign producers to undersell our domestic producers.

These pressures from foreign competition have affected prices of textile products, aluminum, transistor radios, cameras, some steel products, electrical equipment, sewing machines, other goods and services.

The outlook is for these pressures from abroad to become more intense and to spread to even more products.

Developments such as the St. Lawrence Seaway, with the accompanying reduction in transportation costs, will also play a role in this area. The increase in domestic and foreign competition will be a powerful force acting to hold down many prices and to reduce others.

Attitude of the public

If the public resolutely opposes inflation and government officials provide the necessary leadership, price inflation can be avoided. But this is not easy. It is much easier for public officials to promise new adventures in spending and thereby prove that they are doing something for their constituents. The decision to spend less is more difficult than the decision to spend more.

During the past year the public has indicated it will support a strong stand against price inflation. A growing number of persons have a stake in price stability, as the following facts show:

The number of Americans receiving monthly benefits under the federal old-age, survivors, and disability insurance program increased from 1.3 million at the end of 1945 to 13.8 million in February 1960.

Total life insurance in force in the United States increased from \$115.5 billion in 1940 to \$542.1 billion in 1959. At the end of 1959, 115 million persons were covered by life insurance.

At the end of 1958, about 19 million workers were covered by private pension plans and the number has continued to increase.

In 1955, the number of persons 65 and older was 14.1 million; in 1960 the total was 15.8 million. For 1970, the projected total is 19.5 million.

Whether these developments will be converted into articulate public opposition to inflationary measures remains to be seen. One of the important problem areas is the concern over unemployment. If the public insists upon a policy of high-level employment, regardless of cost, the result will be inflationary. Moreover, the recently developed concern with rates of growth may lead to further inflation if efforts are made to increase the rate of growth by major boosts in federal spending.

This review suggests that there will be no significant pressures on the general price level from nonmonetary and nonfiscal factors in the 1960's. Moderate pressure due to wage inflation should be offset by the effects of new technological gains and intensified domestic and foreign competition. Business pricing decisions are largely determined by the economic environment in which they are made. Here, too, no dynamic impulse is discernible. If these were the only factors at work, the decade would experience neither noteworthy price inflation nor price deflation.

Our future actions on the monetary and fiscal fronts will determine the major swings in the price level. It is in these areas that the real battle against inflation must be fought.

—JULES BACKMAN

Russia's target is American youth.
The attack will come with words, persuasion, a contest of ideas. For an exclusive report on this new threat to our freedom turn back to **page 44**

Skills businessmen use most

Survey points up types of training managers feel they need

TODAY's business leader uses a far greater variety of knowledge and skills than his predecessor of a few generations ago.

With few exceptions, the self-made tycoon is disappearing from management. Formal education now is essential for reaching the top.

Tomorrow's executive will need even more schooling. But just what courses will be most valuable is the subject of much speculation.

Some leading executives favor young men with a "broad and liberal education . . . we can teach them the business after they get here." Yet demand is high for engineering and business school graduates, scientists, and mathematicians. Many personnel departments say they want basically high-caliber people, but that those with business or technical training can begin to be of use much sooner than graduates who concentrated on the liberal arts.

Surprisingly, we do not have a clear picture of what executives are using right now as a standard for measurement. To fill that gap—as a first step toward planning future needs—a group of business leaders were asked how often they use the specific knowledge and skills offered by each of 62 college courses.

Company presidents, plant, production, and personnel managers, controllers and treasurers, sales and merchandising chiefs, engineers, and heads of methods or production control were included in the survey. They were in manufacturing, merchandising, financial, and other concerns, scattered across the country. Of 240 polled, 133, or more than 55 per cent, replied.

Communications and human relations skills were by far the most frequently used. About 80 per cent of the managers put "skill in letter writing" at the top of their list, with personnel management a close second. Public speaking was the third most-used ability.

Business administration subjects, such as knowledge of the structure and operation of the organization, were also listed among the most useful management tools. From a third to more than half of those surveyed used frequently most of their business course training, except advanced accounting, marketing and transportation courses. Use of these subjects was confined chiefly to men working in those fields.

Doubts about the value of tests or reliance on outside sources were reflected in the answers from personnel managers. Only five of the 17 polled reported using their testing knowledge. Chemistry and physics courses were among others of little direct help, according to most of the businessmen.

Half the executives reported using statistics relatively frequently, lending support to the idea that applied mathematics is a necessary business tool. However, the study indicates that less than five per cent of those surveyed use calculus. Of the 37 who had studied it, 31 use it less than once a month.

Among the social sciences, general psychology is the most used, with 47 per cent calling on it at least once a month. Money and banking, labor economics, economic theory, and taxation are also used extensively. Few recall getting much direct benefit from courses in anthropology, vector analysis, differential equations, or history.

Conclusions from the survey are necessarily limited. The number of executives contacted was relatively small. However, the variety of business types and positions included was fairly representative.

More important, the managers were asked what skills they were using, rather than what they felt should be used, or will be needed in the future. The survey made no attempt to get at what courses influenced thinking or attitudes. A course might provide valuable background and still not be directly used in business.

For example, calculus is involved in many of the recently developed techniques for quantitative analysis. Some knowledge of calculus could be helpful to managers in dealing with specialists who are making elaborate calculations and in evaluating the possible results of analyses based on it.

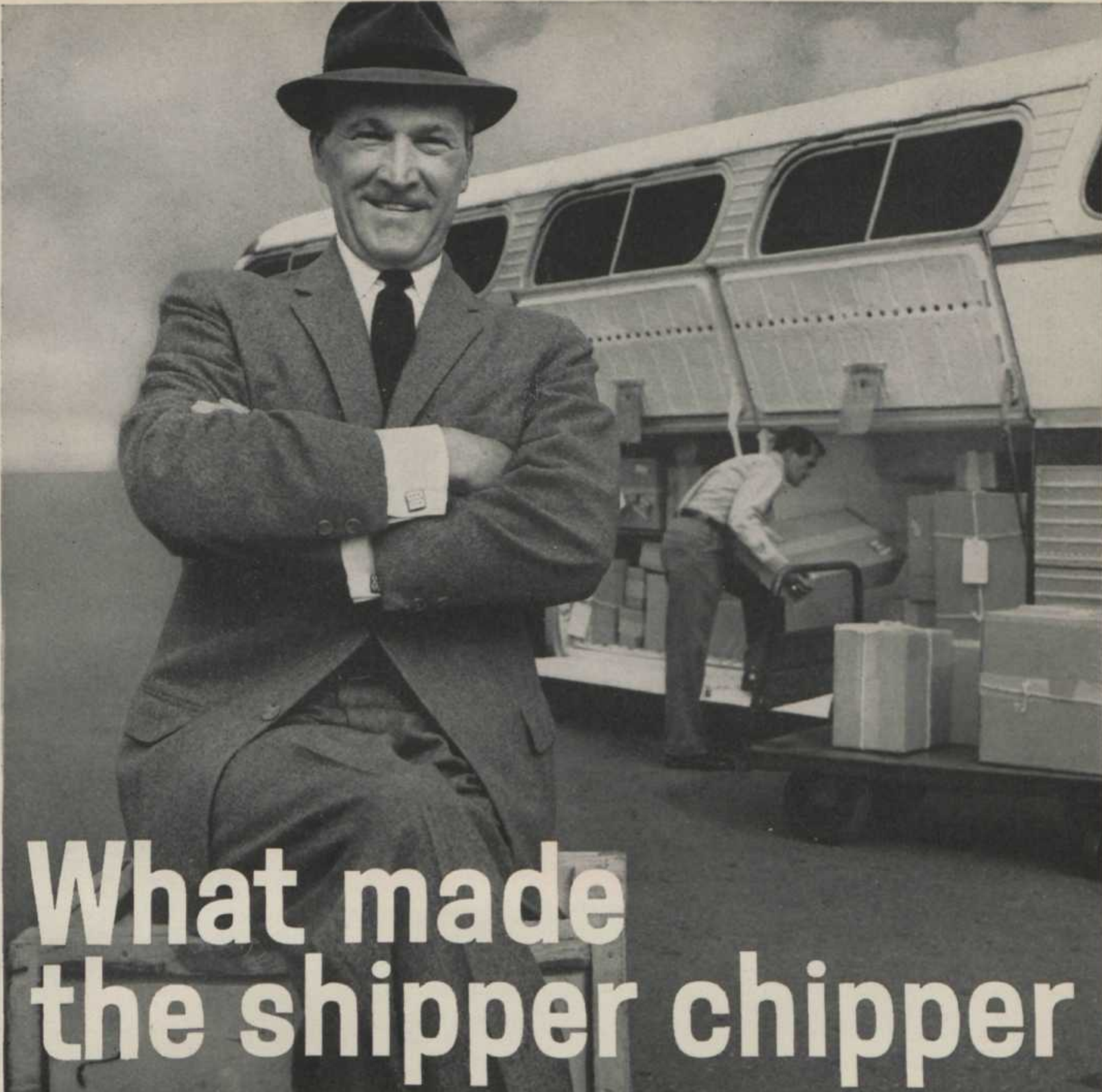
The principal value of this kind of study is to distinguish the purpose for which certain teaching is desirable. Courses in English composition or letter writing, accounting principles, organization, human relations, psychology, and speech, for example, may be demanded because there is evidence that the knowledge or skill involved is widely used in business.

Less-used subjects may well be required for cultural purposes, to provide a kind of mental exercise, or to develop qualities of good citizenship or socially desirable attitudes.

Possibly the most important business values of a college education are the general intellectual stimulation and exercise derived, together with social and working contacts with other students and highly trained professors. Results of the survey show, however, that these are not the sole values. Education must also meet the demonstrated needs of the future executive.

—ROLLIN H. SIMONDS,
Professor of business administration, Michigan State University

MOST-USED SUBJECTS . . .	LEAST-USED SUBJECTS . . .
Business writing	Anthropology
Personnel management	Vector analysis
Public speaking	Thermodynamics
Human relations	Dynamics
Principles of accounting	Foreign literature
Work simplification	Differential equations
Organization	Calculus



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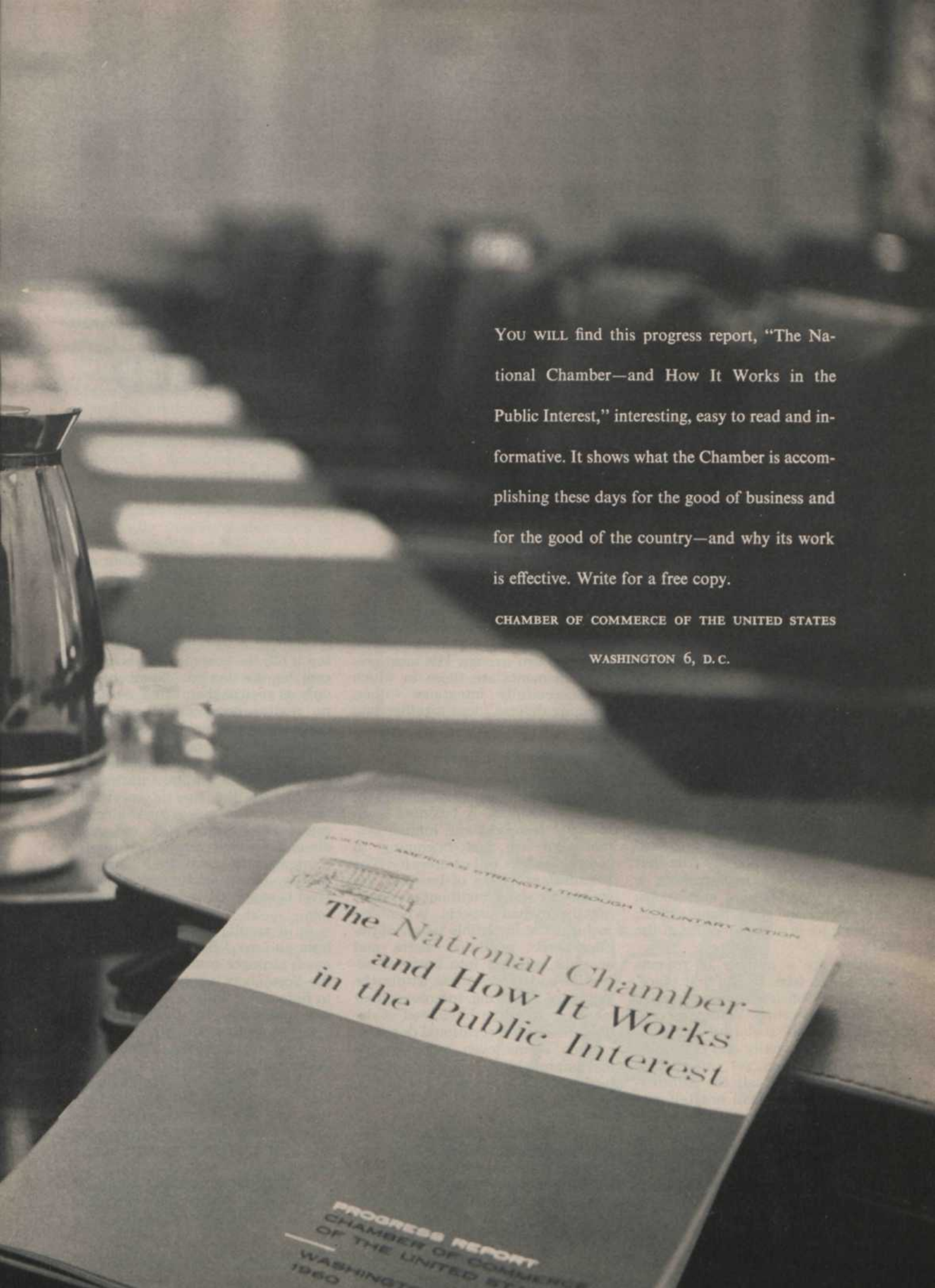

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CHAMBER OF COMMERCE OF THE UNITED STATES

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KEYS TO EXECUTIVE SUCCESS

2.

WHAT DECISION-MAKERS NEED

Today's executive has tough role to play. Here's X-ray view of his toughest problem

THE STEREOTYPED IMAGE of the business executive is that of a man sitting in the center of a communications network, receiving information, weighing probabilities, and making rational decisions with vigor, dispatch, and precision.

Every stereotype, of course, contains some truth. It is true that the business executive is a man of facts. Indeed, the business executive today is likely to be washed right out of his chair by a torrent of information.

It is also true that the executive tries to foresee clearly a state of affairs and to proceed consciously, deliberately, and efficiently toward chosen goals. It is equally true that the executive's decision-making is frequently an imprecise, ambiguous, and essentially nonrational affair. In short, he is often shooting in the dark.

There are a number of reasons why this is true. In the first place, important decisions always involve judgments of values. Values are psychological and social phenomena; they are emotionally and culturally derived. You can get information about values, but all the information in the world will not tell you which values are correct or which should have priority over others. In addition, values are always multiple and frequently in conflict.

The executive's loneliest hours are spent, not choosing between right and wrong, but between two rights or two wrongs. His most creative moments are those in which he successfully integrates values, bringing diverse ideas together into new arrangements.

Complexity of business

A second reason decisions are not precise is the sheer complexity of modern business. A business is an intricate technical and human system. We are just beginning to comprehend its full complexity. The technical problems of business are staggering enough without considering the human aspects. When one includes the incredible tangle of human needs, emotions, skills, and energies entering into business activities and places these within the setting of a growing, interdependent world society, the likelihood of deliberate, objective, rational decision-making seems even more remote and improbable. The history of any business is to a large extent a history of unintended consequences and unexpected results.

A third reason decisions are imprecise is that information is always fragmentary and often distorted. At best, the business executive has only glimpses of the reality with which he must deal. His accounting records, his cost figures, his profit and loss statements, and his sales figures are anemic representations of the vital activities of his business. No matter how accurate the data, they are too thin to tell him much. To top it off, the accuracy of his figures can be questioned. Numbers are only as good as their original source, no matter how carefully the accounting department checks for inversions of sixes and nines.

Other channels of communication are even less accurate. Information moving up the line is inevitably filtered and in many cases blocked completely. Supervisors and middle-management executives usually want to look good to higher authority. A man at the management level is supposed to be on top of his job.

As a result, few men go to the boss, and say, "Boss, I goofed!" The much stronger compulsion is to tell the boss about one's successes and to hide one's failures.

In addition, one tells the boss what he wants to hear.

"Joe," says the boss, "what about this scrap problem?"

"Boss," begins Joe in a firm, resolute voice, "I'm glad you brought that up. We've been working on that problem for some time now. Here's the program we have under way. . . ."

A Barrymore couldn't ad-lib it better. The higher the executive stands in the organization, the more

---

This is the second article in a four-part series. The third and fourth articles of the series will appear in December and January, respectively.

his world is one of words. He is walled off from reality by symbolic representations and abstractions—verbal pictures which as often express the emotional and social needs of the artists who paint them as the reality which they are supposed to portray.

Decisions have time lag

Decisions of any significance always involve a span of time before their consequences can be fully assessed. This raises a fourth and final reason why fully rational, precise decisions are impossible in business. Major decisions require predictions regarding the future. Where human behavior is involved, prognostications throughout history have been notoriously inaccurate. Few business economists venture guesses regarding economic activity further than a year into the future. Yet, most really important decisions in business concern events which will take place more than a year from now—usually two or three years from now.

The likelihood of pinpointing action today which will be exactly appropriate two years from now is pretty remote.

But in spite of the complexities involved, decision-making is the key function of the executive.

Thus, we have the dilemma of the executive compelled by the demands of his position to be certain in the face of uncertainty, to be definite in the face of ambiguity, to be decisive when his decisions are based on assumptions which may or may not be true, and on predictions of a future which may never occur.

It is a tough role to play. It is not by chance that courage and moral conviction are always mentioned by top executives when they discuss the qualities needed for success.

How then does the executive make decisions?

We must recognize at the outset that, no matter how hard management may strive for objectivity, there are always strong personal components in decision-making. Decision-making in business can best be viewed as a kind of constrained or organized subjectivity.

Look at it this way. The socioeconomic world is too complex, the information about it too faulty, for anyone to gain a full understanding of what goes on "out there."

A man accordingly projects his own needs and feelings and his own inner comprehension upon the world around him.

He integrates the evolving, dynamic reality pretty much in terms of his own personality and the way in which his personality grasps the bits and pieces of reality which come to his attention.

As Prof. William Henry of the University of Chicago has said: "While executives who are successful vary considerably in their intelligence-test ratings, all of them have a high degree of ability to organize unstructured situations and to see the implications of their organization.

This implies that they have the ability to take several seemingly isolated events or facts and to see relationships between them."

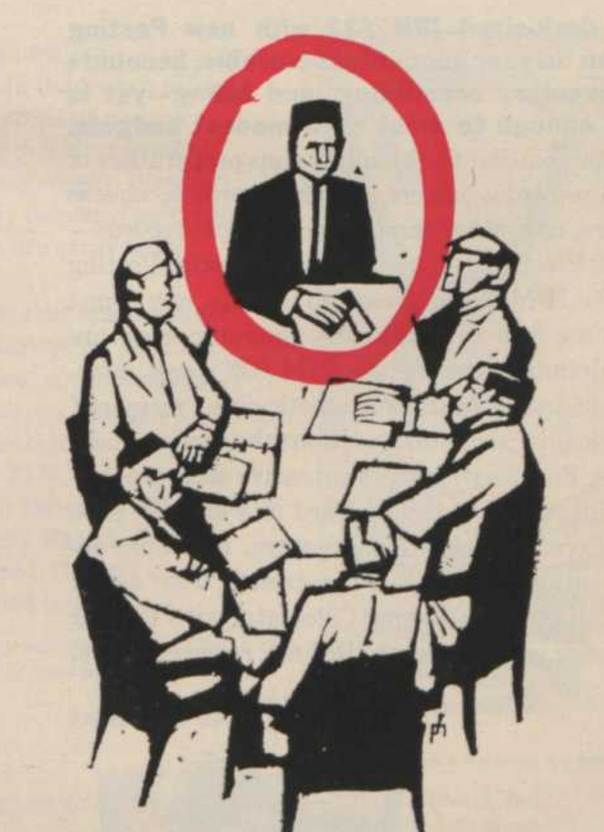
Successful decision-makers typically have the self-confidence, the emotional integration, the courage and conviction to take a chance on themselves, figuring perhaps that their comprehension of the world is as good as anybody's.

To be effective, decisions must be communicated, understood, and accepted by others.

They must, therefore, be a reasonable representation of reality as seen by others. They must somehow make sense out of the perceived reality, shed light upon possible relationships, and provide guidelines for action.

Decisions vs. organization

If the imagination of the decision-maker is constrained by the available information and the perceived reality, it is even more constrained



After weighing others' advice, executive still has job of making his own decision

DECISION-MAKERS

continued

by the executive organization. This organization is essentially a testing ground for ideas.

The decision-making apparatus of the typical business consists of a group of executives each operating in a particular area—such as sales, manufacturing, personnel or finance—each with a small grasp of the total reality, each more or less contending with the others for the acceptance of his ideas. The contention is not only a battle of ideas, but it is often a personal competition as well.

The executive hierarchy produces ideas through personal competition—competition for higher positions, competition for power, and competition for allocations of resources.

At the same time, the image and character of the company, what it stands for, its values, its technology, its built-in know-how also limit the range of possible ideas and decisions. A company is built, in a sense, upon generalizations, major premises, from which deductions can be made and new applications developed.

These major premises represent the basic strategies of the company in its relations with customers, sources of supply, sources of capital, and employes.

Another constraint on executive imagination is the structure of the executive organization. It has both a formal structure which appears on the organization chart and an informal structure.

The informal structure describes the actual, dominant coalition, the way in which executives combine to influence the chief executive of the company and the board of directors. It describes the way the organization reaches agreement and sets directions.

Thus, we see the executive primarily as a creator of ideas about reality as he sees it. His ideas are essentially personal interpretations. However, his personality is constrained, shaped, and influenced by the character of his company, his competition with other executives, the informal relationships in the executive organization, and, of course, the actual information which is available.

The notion that the ideas which serve as the basis for important decisions in business are essentially subjective may appear shocking. Our business society takes pride in

its practicality, its reliance upon double-entry bookkeeping. Business values are presumably the antithesis of tradition-bound sentiments, emotions, and harebrained notions.

Careful consideration, however, will show that a business is simply a set of ideas in action, that it thrives and lives on ideas, and that its most crucial problem always is the generation of ideas. Fads, fancies, new formulas, and new styles move through it with surprising speed.

The essential subjectivity of executive behavior in business or, for that matter, other activities in our society, focuses attention on the tremendous significance of the techniques of recruiting, promoting, and training executive talent. It also focuses attention on the organizational framework in which this talent will be exercised.

No society can survive if it permits men with base motivations, narrow interests, thwarted emotions, and stunted mentalities to rise to the top. No amount of information, records, or mathematics will avail us then. The Roman emperor Caligula could have had at his disposal all the data-processing machines in the world, but he would have used them to prove he was God and still only succeeded in proving that he was crazy.

Our business society is not too badly off in its methods of recruiting, promoting, and developing executive talent. Top executives are continuously tested in the market, at the bargaining table, the board of directors' meeting, and the eternal jockeying within the executive organization itself.

This is a tougher testing than is required in most organized activities in our society.

Nonetheless, continuous refinement of recruiting and development methods and of executive decision-making skill is a necessity in a dynamic, growing society which is coming more and more to depend on the abilities of its executives—not only in business organizations but in educational, labor, governmental, and church organizations as well.

The author, Dr. David G. Moore, is a professor in the Graduate School of Business Administration at Michigan State University.

REPRINTS *of "What Decision-Makers Need" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.*

Executive Trends

New breakthrough for business

For the first time, American business now has at least a tentative formula for determining the number of employes it should assign to tasks in general administration.

The formula emerges from the just-completed first phase of a research project sponsored by the American Management Association. The study was made in cooperation with 88 participating companies whose annual business volumes range from round-figure millions to round-figure billions.

The study reveals surprising variations in the number of persons hired to perform virtually identical functions in industry. It sets forth statistical averages for the assignment of personnel to such general administrative activities as accounting and auditing, economics, planning, purchasing, office services, and other functions.

▶ Here's an example of one of the statistical averages. In personnel, it was found that the 88 companies studied had an average of 12.2 people (per 1,000 employes) engaged in personnel work. Striking deviations above or below this figure, AMA spokesmen say, should cause a company to examine just why it has so many more, or less, people handling personnel duties. "Investigation may show that there is good reason for the deviation," an AMA official explains. "On the other hand, the investigation might show that more people should be added, or cut, from the department in question."

Problem: add workers or cut back?

AMA's examination of the numbers and ratios of administrative employes (see above) is important because business has never had a realistic measurement for administrative overhead. In view of the enormous increase in numbers of salaried workers in recent years, compared with a continuing decrease in the proportion of production workers, the research takes on even greater significance.

"We want to stress," says John Enell, a co-director of the project for AMA, "that we haven't come up with an irrefutable formula for measuring the commitment of manpower to administrative functions. The varying needs of different industries often dictate that many more, or fewer, people be assigned to a particular function. We feel the research is a starting point—that its greatest benefit will come from the participants asking themselves for the first time why they have a given number of people doing a given job."

One chemical company already has made a self-examination as a result of its participation in the project. It found it had 500 peo-

ple engaged in personnel work, where the average for a company of its size was only 300. As a result of this discovery, the company is cutting back its personnel department, reassigning some workers and letting others go through normal attrition.

► Changes effected by participating companies since the preliminary data became available range from economies in general administration of $36,000 a year in a single operation by one company to savings estimated at $1 million annually by another. Major industry groups cooperating in the project are chemicals; drugs; petroleum and rubber; metal fabricating; aircraft; machinery; electronics; electrical machinery, and food, paper and textiles.

Management enlists "undercover men"

In this space last month we observed how an increasing number of businesses are using cost-reduction programs to protect their strained profit margins. A fact we did not mention is that theft and fraud by employes are major causes of business losses and should not be overlooked in any cost-cutting effort you might initiate.

Companies which suspect fraud or theft in their ranks often call in outside experts to confirm or allay their fears. One such investigative agency, Management Safeguards, Inc., of New York, will even place agents—posing as your own employes—in your plant, shop or office to ferret out light-fingered workers and clever cheats. In a two-week period this fall, Management Safeguards obtained admissions of dishonesty involving more than $500,000.

The cases ranged from theft of appliances by a ring of 14 employes of a discount store to receipts-juggling by a supermarket manager.

► Responsible estimates of theft and fraud in American business range from $2 million to $4 million a day. The actual figure may run higher. S. D. Astor, president of Management Safeguards, says that in addition to outright stealing, business suffers "unaccountable losses" due to deliberate unnecessary overtime, production sabotage, unnecessary waste, concealed incompetence and other misdeeds or slovenly practices.

How to combat fraud

The most common cause of theft or fraud is simply the existence of an opportunity to steal. If management permits such opportunities to exist, it obviously renders itself vulnerable to loss and should assume some of the blame for the consequences.

When investigators pose as employes in a company, they immediately begin looking for the weak spots—the places where stealing, misappropriation of goods or funds or other unlawful practices could take place. Usually, when they find these weak spots, actual employes are already there, taking advantage of the loopholes.

Management can avoid most waste and loss if it will police its own procedures and systems more rigorously with the controls it already has but too often allows to fall into disuse.

► A program of control should include: 1, investigation of weaknesses by a thorough-going operational audit; 2, establishment of management controls which relate payroll dollars to productivity and which immediately reflect to management depredations of inventory and cash; 3, supervisory training programs designed to shift the loyalties and thinking of middle management so that they are aligned with those of top management; 4, interrogation of personnel known to be dishonest, and, 5, the establishment of devices—physical and otherwise—which limit the opportunity for dishonesty to occur.

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SPECIAL LETTER

NATION'S BUSINESS EDITORS REPORT ON: fiscal crisis

U. S. FISCAL CRISIS threatens next year. Three forces could combine in a budget-busting explosion. Expenditure blowup would touch off new inflation or compel higher federal tax take. Three combustible elements are: political pressure blocs, growing international troubles, economic uncertainty.

* * *

"FISCAL RESPONSIBILITY" theme song of Eisenhower Administration will fade fast as new political spending plans are trumpeted in. Ike's last budget goes to Congress in January. But for new President and Congress it'll just be foundation to build on, and on, and on.

Multiple spending schemes doomed by Ike and dammed up by past Congresses now can be loosed. At least a few campaign promises must be kept.

Spending increases will be offered to entice voter blocs. More big subsidies for farmers, more aid for aged to help pay doctor bills, more pensions or schooling for veterans, larger housing programs for low and middle income families and money to construct their children's schools.

* * *

SPENDING WILL be pressed, too, for newer outlets for Uncle Sam's paternalism, such as thwarting juvenile delinquency, seeing to cities' transit troubles.

Major bills introduced in last Congress would have swollen present $80 billion budget by another $50 billion to $60 billion if they'd all squeaked through. It didn't happen--true. But pent-up urge is there. And a glance backward reveals:

Federal budget was $3 billion in 1930; $9 billion in 1940; $40 billion in 1950; $80 billion in 1960. At this rate, it could be $160 billion by 1970.

Budget will rise even with no new programs. Built-in increases--programs started in past that keep growing--add billions to budget each year.

Quick-rising expenditures have promoted welfare state. Spending for labor

and welfare category in budget zoomed six-fold since 1948, doubled since 1954. Defense spending only crept ahead.

Now defense is in for spurt. "Only Ike could hold it in line," says a knowing lawmaker. New President will demand more defense. And modern defense carries high price tag. For instance, popular Polaris missile subs cost more than $100 million each; constant air alert $2 billion.

* * *

RED ECONOMIC offensive, plus increasing sense of responsibility by prospering U. S., bring pressure for higher foreign aid to underdeveloped lands. Build up of war-born aid now totals close to $3 billion yearly.

Look for new spending, lending for one billion people of free world's backward countries. Such people average $200 annual income, live 40 years.

* * *

FINALLY, federal spenders will try to buy remedies for nation's, as well as world's economic ailments, if U.S. economy falters this winter.

Most politicians rely on government counter-punch for business fluctuations, especially dips. Tax cuts helped soften downturns of 1948-49 and 1953-54. Credit easing has helped, too. But in 1957-58 drop, Congress turned mainly to spending to prime pump. This medicine almost killed the patient. Budget suffered deficit of $12.4 billion. Inflation grew. Faith in dollar quivered at home and abroad. Effect of spending for housing, highways, public works came too late to prop economy.

* * *

FOR FUTURE slump, officials would hesitate to ease credit much. High interest rates abroad and soft money here would speed outflow of gold from U. S.

Politicians would increase unemployment pay, pass aid to depressed areas, speed federal spending in sundry ways.

Tax cuts would probably be last resort. Instead, spending demands will bring call for higher taxes. Ironically, tax cuts to spur incentives and investment could bring productive upturn of economy; hike future revenues.

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YOUR RIVALS CAN HELP YOU

Here's how to encourage healthy competition in your organization

ALMOST EVERY BUSINESS can benefit from healthy competition among its executives for recognition and advancement. In attempting to outdo the other, each probably will contribute something to the company's progress.

Techniques for encouraging the urge to compete, within the proper bounds, thus are valuable assets for management. Equally valuable are means to detect and eliminate, or at least discourage, unhealthy competition. An executive who will use any means at hand to trip up a rival may well damage the company in the process.

To help you determine whether the personal competition in your organization is good or bad, and whether to encourage or discourage it, NATION'S BUSINESS gathered the views of management consultants, industrial psychologists, and psychiatrists on:

- Motives for competition.
- Methods of competing.
- Levels of competition.
- How to encourage healthy competition.
- What to do about lack of it.

Motives for competition

Ambition is the desire to achieve a goal—good or bad. If the ambition is strong enough, a person will compete with anyone else who is seeking the same goal.

Early in life, children compete for parental approval. In school, they compete for higher marks, popularity or athletic honors. Young men try to achieve more than their fathers, girls try to outdo their mothers, according to Dr. Harry Levinson, director of industrial psychology at The Menninger Foundation.

The pattern of an individual's competitive urge is fashioned during adolescence. Some may seek intellectual superiority to offset physical inaptitude. Others set out to prove that those who come from the wrong side of the tracks can accomplish more than rivals in the social register.

These motives may or may not be changed when they enter business. Success, as measured by material reward and prestige, is a goal common to most businessmen. A desire to reach this goal honestly is a healthy motive for competition.

Providing well for one's family is also a worthy ambition. Many men also have a sincere desire to contribute to their company's progress or to serve their community, even without material reward.

Less desirable goals are urges to gain power for its own sake, to "be somebody," to overcome a specific rival, or even to destroy an objectionable business associate. When top management spots such motives in an executive, he should be told frankly that they won't be tolerated.

Finding out another's true goals may be difficult. Dr. Harry Laughlin, Washington, D. C., psychiatrist, says many people don't understand their own ambitions, let alone those of others.

He points out that a person may be competing with many others without knowing it. A man, for example, may compete with his wife for his children's

Competition can be good or bad

We compete without knowing it

affection and with his children for the dog's affection. Neighbors may compete in tending their lawns or building barbecue pits.

But Dr. Laughlin adds, "the mature person uses his inner drive in a way that is constructive to himself and to his organization." Such a person, he believes, is able to detect unhealthy ambition in others, chiefly through the methods they use in seeking their goals.

Methods of competing

Any attempt to advance oneself by taking unethical advantage of a competitor is unhealthy. This is true whether the attempt is made openly or secretly. However, the company is more likely to be damaged by hidden efforts of one executive to subvert another's work. Secret feuds should be spotted and eliminated as early as possible.

Paradoxically, some analysts believe competition in business is being driven underground because of the premium many companies put on teamwork.

"The executive can compete with another only so long as the struggle does not interfere with his ability to make objective and wise decisions, conduct his responsibilities in accordance with the organization's welfare and maintain emotional stability and control," says Eugene E. Jennings, Michigan State University psychologist. "It is an almost unpardonable sin in many corporations to allow a competitive struggle to become openly known. Never should it become so disturbing as to interfere with good communications, good decisions, and above all, good human relations."

As an example, Dr. Jennings cites an executive whose desire to surpass a competitor broke into the open when he refused to go along with an idea the rival proposed at a committee meeting. He could give no logical reason for his opposition, but secretly figured approval of the proposal would give his competitor the inside track to the vice presidency both sought. He was right. Six months later, his opponent got the job. But the company president confided later that the losing executive had it pretty well wrapped up until he showed his inability to control his competitive urge.

Another sign of unhealthy competition is pirating another manager's ideas or staff, comments Dr. Nathaniel Stewart, personnel relations authority and lecturer. It may be relatively easy to lure a highly competent secretary away from another executive but lifting ideas is more tricky.

Some aggressive competitors are able to convince everyone, even themselves, that they really had the idea first. Others take the rival's basic thought and embellish or twist it until even the original author may not recognize it as his property. If he does, he may not want to force the showdown that would develop if he raised his claim. A seasoned superior, however, may sense that a man's proposal is not his own. Questioning him on details may expose his deception.

Still other overcompetitive managers use the methods of the confidence man, according to Harold Schmidhauser, manager of the general management division of the American Management Association. Mr. Schmidhauser tells of one executive who enticed everyone into agreeing with him by careful phrasing of his propositions. If he were talking to an engineer, for instance, he would declare "any intelligent engineer can see this is so." Such a statement, coming from a superior, convinced the engineer he'd better go along.

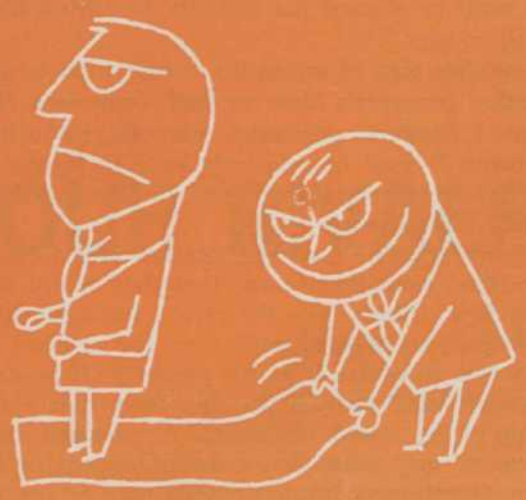
Levels of competition

The direction of competition may be upward, downward, or sideways. Executives may compete with their superiors, their equals, or their subordinates.

Most managers are expected to learn something about the boss's job and perhaps be able to replace him when he relinquishes it.

But plotting to rival or surpass the superior violates ordinary business ethics. It is usually the most

You can't stop urge to compete



Unhealthy competition

concealed type of competition. On rare occasions, such an attempt may be justified when the superior is clearly incompetent. In other instances, a young executive may simply be impatient under a stodgy boss, rather than truly ambitious to replace him. But strong competition with a superior generally is unhealthy.

It is also usually a form of weakness to compete with a subordinate, Dr. Jennings observes. "Nevertheless, executives quite often find themselves competing with some enterprising, aggressive young subordinate. In some cases, they have feared the subordinate's originality so much that their remedy was to hang on him the lethal label of being uncooperative and too self-centered."

Another technique is to build up a subordinate, then let him down hard. Still another is to give him enough rope to hang himself by letting him take on jobs he can't handle.

Competition with equals is the most common manifestation of rivalry in business. It is also usually the most ruthless and the most difficult to conceal. But it is also the type that can bring a company the most benefits.

How to encourage healthy competition

Many means of fostering wholesome rivalry are open to every company. Formal creeds or other policy statements should endorse the principle. The highest officials should back this up through their example. Executives should be encouraged to bring their differences out in the open, not hide them. And finally, it should be made plain that executives must compete in job performance rather than office politics.

Authorities agree that the pattern of personal competition in a business is set from the top. Every executive should have a clear understanding of how much personal competition the company wants and will tolerate.

The question for the company, then, is how much competition it does want. Few enterprises will choose to have none.

"A real leader is competitive," says Edwin T. Ashman, of Cresap, McCormick and Paget, management consultants. "If there's no competitive challenge, he will get out. Competition is part of the ambition pattern of any man wanting to get ahead."

A multiplant company will gain great benefits from competition among the plant managers to outproduce each other. But competition among the same managers to outdo each other in mechanizing their plants, whether it is necessary or not, can be costly.

Mr. Ashman agrees "there is a time to compete and a time to put it away." The same thought comes from Dr. Levinson: "No single man can do a job by himself. He must work with other people. But sometimes a man must go ahead. At times, cooperation is right, at other times competition is right."

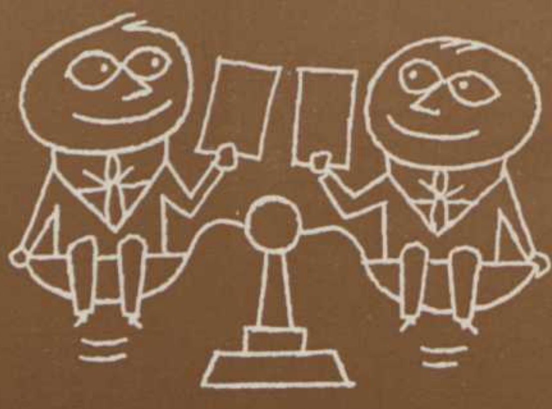
Many company presidents feel a good fight is healthy. Mr. Schmidhauser's recipe for encouraging healthy competition is to get differences out in the open. Hidden maneuvering is the chief characteristic of unhealthy rivalry, in his view.

The basis for honest competition, he says, is acceptance and understanding of each other and each other's ideas.

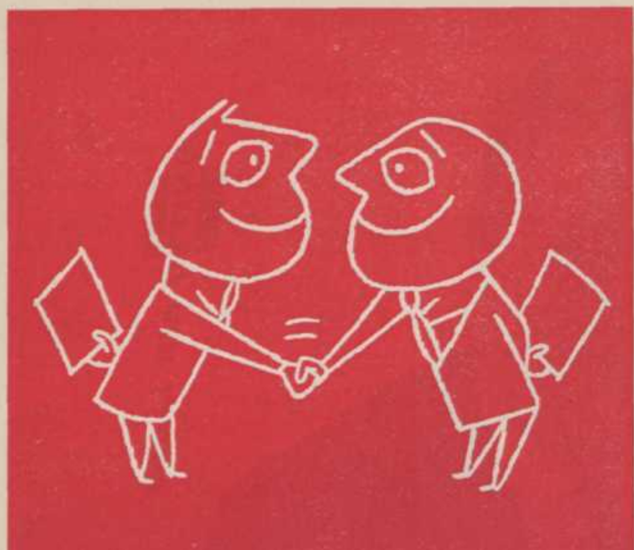
An example: A newly recruited engineer complained that the vice president told him how to do every detail of his job. "Why did they hire me for $28,000 if they thought I couldn't do the job?", he asked.

While he considered quitting or attempting to plot against the vice president, he was persuaded to talk the situation over with him.

In a frank discussion, it developed that the engineer had adopted such a know-it-all attitude that the vice president honestly doubted his ability. He was actually trying to protect the engineer by giving him detailed instructions so he wouldn't make mistakes



Competition with equals is best



Good relations come first

while getting adjusted to the new job. The two became friends.

Mr. Schmidhauser's moral: "A man who carries his own weight doesn't have anything left to throw around."

The AMA consultant is a firm believer in encouraging executives to compete against standards or against a rival company, rather than each other. "That way, both can be winners," he says. "Neither of the competitors should be killed off by the other."

At any rate, the authorities advise against shedding any tears for the loser in a personal competitive struggle. "If he knows there has been fair play, he will be disappointed, but he can take it," Dr. Stewart comments.

The person who gets ahead through unethical means may be the real loser, Dr. Laughlin observes. "Whatever the outcome, both competitors must live with themselves later, and every man needs self-approval."

Discouraging unhealthy competition may be difficult. Every organization has a small segment of executives who are too competitive. Strong disapproval by superiors is the best way to curb them. In addition, use of a good appraisal system, based on realistic standards of performance, will go a long way to insure that promotion is based on merit, rather than maneuvering.

If a man has a strong urge to compete, eliminating it may be impossible. "You can't make a person stop wanting to compete any more than you can make him stop being angry or sad," Dr. Laughlin says. "But you can make him control his behavior, just as you can make an angry man stop fighting or a sad one stop crying."

Lack of competition

As business organizations grow in size, more competition may develop for executive positions simply because there are more potential competitors. But a large organization also has more jobs in which a man can step aside from the competitive struggle and stagnate in accomplishing routine tasks.

"The spotlight is not as bright on ten men as on one," Mr. Ashman notes. Dr. Laughlin agrees that some go into large companies or government employment to get security rather than face the risks of competition.

Such a desire is not necessarily bad, either for the individual or the company. Businesses need people to do the less exciting chores as well as leaders. Some people make a conscious decision to set aside time for their families, for instance, rather than seeking top positions.

These people simply don't want to pay the price for success.

It is probably to the company's advantage to recognize this situation. Dupont, for example, puts the decision up to its employes. Its "Know and Go" program advises them that to get ahead, they must be informed on what the company does through reading its annual report, statements by the president and the like.

But companies also should insure that managers who want to avoid the competitive race are not dragging down efficiency. Mr. Schmidhauser recommends turning the spotlight into all the dark corners by establishing a climate in which employes who are doing their best will recognize those who are goofing and get it corrected.

If this is not done, he warns, skilled goofers will learn to hide their inefficiency so well that "we will develop a race of supergoofers." **END**

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DRAWINGS BY CHARLES DUNN

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NEW PRESIDENT

continued from page 39

demand alertness during the twilight of the Eisenhower Administration and the dawn of the new Administration.

The new Administration, as an official in Washington said recently, must "hit the ground running" on Jan. 20.

The obvious way for the President-elect to start is by lining up people for the top jobs. Some 1,200 posts today are filled by Presidential appointment. Of these, many can wait, but high officials should be ready to go to work in the key jobs on Inauguration Day.

The President-elect must work selectively, filling jobs in what he considers their order of importance, so that each person chosen can start recruiting lesser officials and get preparations under way in some key area.

The most eminent posts are not necessarily the ones that need to be filled first. The Secretaries of State and Defense are of obvious importance and bound to be somewhere near the top of the list. But finding a Director of the Budget is probably more urgent than finding a Secretary of the Treasury, and choosing someone for the relatively new (post-Sputnik) job of White House science adviser may take priority over filling a half dozen Cabinet posts.

Finding men can be tough

Some of the top jobs, particularly those in the future White House staff, can be given to persons who have worked for the President-elect during the campaign. For many other jobs it is necessary to go outside the inner circle to find prospective appointees with the right experience, competence, residence, and political backing. Making the right choices requires careful, painstaking consultations with many advisers, political and otherwise. The problem is for the President-elect to get the men he wants without offending too many powerful interests and party factions.

Deciding on a man does not automatically get him to work on preparations for the take-over. If the President-elect wants a corporation executive or a university president, it may take weeks to get him persuaded, cleared for both security and political acceptability, and broken loose from his previous job and personal affairs. Unless someone has done some careful scouting of the suitability and availability of individuals to fill the necessary jobs, precious time may be lost.

The President-elect's personnel decisions get the most public attention, but this part of his preparation cannot be separated from other things he must do at the same time.

He needs to establish and maintain suitable communication with the outgoing President so as to affirm national unity and set up a means by which they could consult if a national emergency arose.

He needs to get his lines out to the principal agencies of the executive branch in order to become familiar with their problems and the issues they will present for early decisions. He needs to consult the congressional leaders of his party about legislative matters to be pushed in the early weeks of his Administration.

Sometimes these problems are so entwined that it's hard to find the end of the string. For example, it would at first glance appear sensible to designate the future Secretary of State right after the election, so that the man chosen could begin exploring the ramifications of foreign policy and serve as the incoming Administration's principal adviser in that field. But recently there has been serious talk about creating a new, powerful job as the President's right-hand man for foreign affairs.

A reorganization of this kind would profoundly affect the position of the Secretary of State.

Strategy is important

What the President-elect needs before anything else is a carefully thought out strategy for taking over. He may choose to do as General Eisenhower did in 1952—build from the top down, pick his department heads first, and leave it to them to recruit others and develop recommendations on policies in their respective fields. Or he may decide to go slow on the top appointments, while designating people to look into the situation in several of the major departments.

If the President-elect can quickly set up a temporary organization to cover most of the federal agencies, he can gain a few weeks to clarify his ideas and look over the field before committing himself to Cabinet members. Even in this case, however, the department heads probably should be designated and making their own preparations by Jan. 1.

How important are these preinaugural preparations? Why can't the

President-elect hold up decisions on appointments and future policies until he has looked at the problems from inside?

Consider the situation he steps into. If this transition follows the course of previous ones, the White House will be almost a vacuum on Inauguration Day. The outgoing President's principal aides will be gone, leaving only the career Executive Clerk and a few other officials who know the administrative routines but have dealt little with the policy issues.

There will not even be files to study, because of the peculiar tradition that White House papers are the personal property of the President and are taken away with him. The Cabinet and perhaps half of the sub-Cabinet positions will be vacant, the incumbents having submitted their resignations and left with the outgoing President. Resignations of the remaining Presidential appointees will be on the President's desk, to be accepted 'at his pleasure.' Many of these officials, however, will have their bags packed and plan imminent departure.

In the Truman-Eisenhower turnover, in an effort to get a little more continuity than had been the usual practice, President Truman instructed each of his department heads to arrange with his designated successor for an official holdover who would serve as acting secretary during the Inauguration Day gap and remain to put his knowledge at the disposal of the new Administration for the first several weeks. Mr. Truman himself left a top-ranking White House aide, John R. Steelman, as a temporary consultant to Sherman Adams.

This potential vacuum at the top of the executive branch is dangerous because of the policy problems that will face the new President. Foreign nations will be pressing to learn the new line on the Russians, nuclear testing, foreign aid, Castro, and Trujillo.

Congress, already in session since early January, will be eager to get started on legislation. If the new President is not to lose the initiative—the opportunities of the traditional congressional honeymoon—he must be ready with detailed proposals almost immediately. If there are to be any major administrative reorganizations, it will be easier to put them through before patterns of operation and the interests of particular executive appointees are firmly set.

Always there is the possibility of

NEW PRESIDENT

continued

real crisis—a sudden business downturn, a squeeze on Berlin by the Russians, or a blowup in Africa—that would require immediate and perhaps even split-second decisions. If the incoming President and department heads are to be ready to make informed, responsible decisions as of Jan. 20, they need all the lead time they can get.

Budget needs close attention

The President-elect and his appointees will need to pay especially close attention to the federal budget. President Eisenhower is required by law to submit to Congress in January a budget to cover programs, spending, and income for the fiscal year beginning next July 1. The appropriations subcommittees will be working away on this document before Inauguration Day. Unless the new President chooses to stand on his predecessor's budget—which appears unlikely—he must send to Congress shortly after Inauguration amendments reflecting his own program ideas.

Budget changes proposed after about May 1 are likely either to be brushed off by Congress or to delay the appropriations until well after the new fiscal year begins, thus fouling up the administrative machinery.

General Eisenhower got a head start on this problem in 1952 by accepting President Truman's invitation to send an observer to the Budget Bureau to watch the Truman budget being assembled and start studying the issues. Joseph Dodge was on the job in Washington by the middle of November. This worked out well.

But this preview of the budget from topside is not enough. Revision of the budget must start down in the departments and bureaus, where technicians take ideas about new programs, or expanding or shrinking existing ones, and work out the details in financial terms. Civil servants, however, cannot do the entire job of converting the new President's policy guidelines into specific budget proposals. The process requires important decisions about priorities and alternatives—essentially political decisions that only the new Administration's political appointees can make.

Political appointees can't make such decisions sensibly until they have become familiar with the operations under them. In sum, if the

new Administration is going to do a quick, clean job of revising the budget, its appointees at the under secretary and assistant secretary level must be ready to go to work right after Jan. 20. Any homework that they can do before then will pay big dividends.

Party change affects takeover

The problems of takeover differ somewhat when the change in Administration also means a change in party.

When parties change, the President-elect can start by building on the key members of his campaign staff. He can use some but probably not all of these men in his Administration; it may be difficult to sidetrack the others without bruising their pride and alienating their followers.

But he must also call upon people whose previous experience has been mainly on Capitol Hill, in state politics, in the universities, and in business. This group will have a great deal of learning to do, and require a considerable amount of central guidance before it can function effectively as a team.

When the party doesn't change, the new man doesn't have to start from scratch in organizing. If he chooses, he can probably retain a few of his predecessor's people.

But he, too, has to create an Administration of his own, whose primary loyalty is to him and whose composition gives the country the impression of a fresh, vigorous group.

So he has the delicate problem of organizing a new Administration from inside an old one. He must persuade the men he wants to stay and find easy ways of letting out some who would like to stay but can't be fitted in.

A new President ordinarily has no difficulty finding willing candidates for top political appointment; the task is to sort out the good prospects from the unlikely ones.

One big factor in the President-elect's situation will be Mr. Eisenhower himself. The outgoing President can do much to make his successor's job easier, or to complicate it.

President Eisenhower has already made it clear that he intends to be President, in every sense of the word, until noon Jan. 20. But he also has said publicly that full information about the state of the government and its problems will be put at the new President's disposal. This would be following the precedent set by President Truman,

Advertisers in this issue • November 1960

NEW PRESIDENT

continued

who made a similar offer to General Eisenhower in 1952. Historically, retiring Presidents usually want to exit in a dignified fashion, being as helpful to their successors as possible.

But even if he takes full advantage of all the advance information and advice that the Eisenhower Administration can provide, this month's winner has a tough job to do between now and Jan. 20.

—LAURIN L. HENRY

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WILLIAM W. OWENS
(Signature of business manager)

Sworn to and subscribed before me this 30th day of September, 1960.
[SEAL] WILLIAM A. CREVELING
(My commission expires Nov. 14, 1963)

PEOPLE HAVEN'T CHANGED
ONLY THE CLIMATE

FAULT-FINDING is becoming the new national pastime. We have magnified our failures and compared our accomplishments unfavorably with those of Russia where, we are told, progress is rapid, efficient and coordinated to achieve national goals. Now any good thing said about this country sounds like an apology.

Then we complain that the people have lost their sense of purpose and spirit of daring.

If this is true, it is understandable.

Morale is built by encouraging effort and the American people have had little encouragement lately. Instead they have been assured that, without government intervention, they are unfit to build their own schools, care for their old people, rebuild their cities or spend their own money wisely.

To make public dismay complete we are told that Russia already leads in many fields including space exploration and that the communist educational system assures a growing supply of engineers and scientists to widen the gap.

Confidence does not thrive on negative inspiration. To match Russian progress people need some assurance the task isn't hopeless. A start can be made by examining the Russian space effort and the part Russian education played in it.

In 1946, Russia kidnapped 6,000 German scientists and engineers including a major part of the V-2 team, Dr. Kitzenberger and Dr. Buschbeck, and Rocket Specialist Dr. Schulz. Held as slave labor in Russia until 1954, these workers carried the Sputnik program almost to completion before Russian-trained scientists were able to take over.

According to American educators who have seen Russian schools at first hand, the system is not education at all but simply indoctrination.

While American teachers try to open minds to new ideas, the Russian system works to close them to any idea not in line with communist doctrine.

Whether this training can generate the original thinking needed for progress is doubtful, at least in the minds of the German rocket experts who reported: "Whenever a bold idea or a free handling of a problem broke the frame of the Russian routine scheme, Russian researchers became unsure."

Americans are by nature a brash and resourceful people who once boastfully sang, along with George M. Cohan, "It's a Grand Old Flag" and "I'm a Yankee Doodle Dandy."

The people haven't changed. Only the climate. Now Americans are urged to sing "Oh, Give Me a Home that the Government Built" and "When I Grow too Old to Dream, Uncle Sam will Remember."

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The Periodic Table lists all the known elements of the world we live in . . . more than half of them used by Union Carbide

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